

## Livica Collective foundation: sustainability in investment

This document is divided into two sections. It comprises a “general” and a specific ESG section.

The first three chapters (Foreword, Introduction and Sustainability in the context of investment) provide a general insight into the topic of “Sustainable Investing and ESG” as well as the structure, implementation and standards currently observable on the market in the context of a Swiss pension fund’s portfolio.

Chapters four to seven (Workshop, Status report and its results) specifically analyse the investments of the Livica Collective foundation and its managers.

The final chapter (Summary) briefly and succinctly summarises the current status of the Livica Collective foundation with regard to ESG efforts in its investments.

### Contents

1. Foreword .....	2
2. Introduction to sustainability .....	2
3. Sustainability in the context of investment.....	3
4. Workshops and status report on the portfolio .....	3
5. Status report .....	4
6. Results of the status report .....	5
7. Memberships of the asset managers of the Livica Collective foundation .....	9
Summary .....	10

## 1. Foreword

It should be noted that when dealing with the topic of “sustainable investing and ESG”, no binding standards or fixed rules have yet been established in the second pillar either with regard to definition, implementation and reporting. The entire issue is subject to an ongoing process and should be understood as a “moving target”.

Against this background, the Livica Collective foundation intensively dealt with the topic of ESG in several workshops in 2022. The results can be found in this report.

## 2. Introduction to sustainability

The Livica Collective foundation (“Livica”) is an occupational benefits scheme and is subject to the Swiss Federal Act on Occupational Old Age, Survivors’ and Invalidity Pension Provision (OPA). It manages a substantial portion of the beneficiaries’ assets. Managing this capital entails a high degree of fiduciary responsibility for all parties involved. Insured persons want their occupational pension assets to be carefully invested and managed professionally. It is therefore one of the core tasks of the supreme body to define the objectives and principles of asset management and the implementation and monitoring of the investment process.

Livica has the task of paying pensions over a very long period of time. Investment returns and contributions, as well as pension assets, are used to finance these. Generating long-term, sustainable returns depends on stable and well-functioning social, ecological and economic systems.

Livica therefore relies on a sustainable and responsible approach to the implementation of its investment strategy. The UN defines responsible investment as an investment approach in which the investor explicitly considers the relevance of environmental, social and governance factors (ESG criteria: E=Environment; S=Social and G=Governance) and the long-term health and stability of the market as a whole.

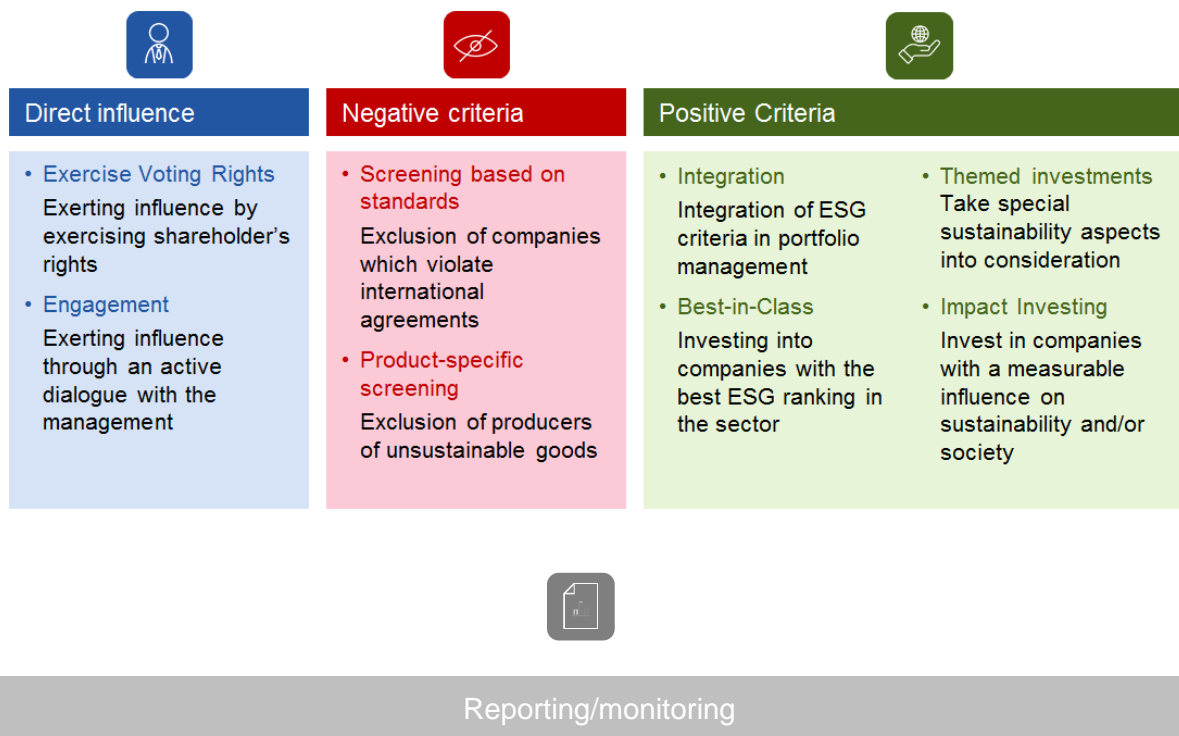
Pension schemes are, at their core, geared towards sustainability and intergenerational equity. Those responsible must comply with their fiduciary duty of care, which ultimately also includes sustainability aspects. Livica believes that all relevant risks must be taken into account, including the long-term development of non-financial influencing factors. As an investor, it is aware of its ethical, environmental and social responsibilities and takes them into account when making investment decisions. Sustainable aspects are part of the ongoing dialogue with existing asset managers and in the selection of new asset managers.

However, it should also be borne in mind that the composition of persons insured with Livica is very heterogeneous and roughly represents the Swiss population. In the interests of the greatest possible objectivity, it is therefore appropriate to use the laws, regulations and international agreements and conventions (e.g. the Convention on Cluster Munitions) that have emerged in democratic consensus as a basis for the definition of ESG criteria.

### 3. Sustainability in the context of investment

When we talk about sustainability in practice, we often mean ESG criteria. Specifically, the investment takes ethical, social and ecological criteria as well as criteria of good corporate governance into account.

A distinction can be made between the following forms of sustainability:



### 4. Workshops and status report on the portfolio

The supreme bodies of the Livica Collective foundation (Foundation Board and Investment Committee) have dealt with the complex issue of the sustainability of its assets on several occasions and at various meetings.

Following a workshop at the beginning of 2022, it was decided to conduct an external, independent status report on the sustainability efforts relating to the current assets of employer pension funds (analysis of the sustainability principles applied by the external asset managers).

The results were presented and discussed by both the Foundation Board and the Investment Committee.

## **5. Status report**

The aim of the status report is to provide an independent overview at a consolidated level of the various forms of sustainability already used in investments.

To that end, all asset managers to whom Livica has entrusted part of its assets and the current implementation of the portfolio were examined in detail.

A total of two asset managers, four investment foundations and a total of fourteen investment funds or investment groups were analysed.

## 6. Results of the status report



### Direct influence

(stewardship: exercising voting rights and involvement)

All managers have specific, dedicated ESG-related teams

In addition to the ESG teams for the securities mandates, all asset managers also have specialised ESG teams which cover the demanding real estate sector.

Five out of six managers have currently signed the Principles for Responsible Investing (PRI)

The PRI Initiative was launched by the UN. The aim of the initiative is for signatories to integrate ESG issues into their investment decisions.

Over 80% of managers are currently members of Swiss Sustainable Finance (SSF)

The SSF association is committed to strengthening Switzerland's position as a leading player in the sustainable financial sector. Through research, increasing "know-how" and developing practical tools and supporting guidelines, SSF promotes the integration of ESG criteria into all financial services.

Livica's asset managers currently have a total of 39 ESG memberships

A list of Livica's asset managers' ESG membership (for example, the "Climate Action 100+", "Net Zero Asset Manager Initiative", the "Ocean Panel" or the "Living every age" certification) can be found in the relevant section of this document.

Voting rights are exercised for all equity fund investments

In the case of collective investment schemes, the managers (fund management companies) are responsible for exercising voting rights. Sustainability principles are taken into account where this is concerned.

At the time of the status report, the managers of the bond and equity assets, with one exception, are involved in other activities. The same also applies to active, indirect real estate mandates.

The asset managers of the Livica Collective foundation enter into dialogue with the invested companies, in order to exert influence on ESG issues.



**Negative criteria  
(or exclusion criteria)**

**A standards-based exclusion list is used for all mandates**

All managers apply an exclusion list for companies whose business model violates international conventions ratified by Switzerland.

**No investment in companies that the Swiss Association for Responsible Investments (SVVK-ASIR) recommends for exclusion**

The Swiss Association for Responsible Investments (SVVK-ASIR) applies a standards-based exclusion principle (in particular for manufacturers of anti-personnel mines, cluster munitions, nuclear weapons outside the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) or companies that violate codes of conduct).

Currently, the exclusion list includes more than 30 companies from seven countries involved in the development, manufacture, stockpiling and/or sale of anti-personnel mines, cluster munitions and/or nuclear weapons. In addition, companies for which the dialogue has not led to a result are excluded (“behavioural exclusions”).

The asset managers of the Livica Collective foundation do not invest in the securities on this list, nor do they have any exposure thereto.

**In addition, two asset managers currently apply manager-specific exclusion criteria**

More extensive exclusion lists are also used. For example, one manager works with an external ESG consultant to create an internal exclusion list and applies it.



### Positive criteria

All active, indirect real estate mandates incorporate ESG criteria into the financial analysis

As part of the selection and management of the investments, active mandates incorporate both traditional criteria and ESG criteria into the decision-making process. For example, a manager distinguishes between acquisitions (assessment of ESG risks and potential), building up (obtaining ESG certifications) and management. In order to emphasise the importance of ESG, some ESG name changes have also been made to vessels.

For example, some indirect real estate investments have an emission reduction pathway, or strategies are implemented in the indirect real estate segment to achieve “net zero emissions” within a certain period of time (by 2040). “Net zero” means that the carbon dioxide emitted by a company’s activities is offset by a corresponding amount of reduced CO<sub>2</sub> emissions.



## Reporting/monitoring

### Reporting and monitoring

Existing asset managers report periodically on their sustainability efforts. Based on this, a possible need for action can be determined. At the same time, the topic of sustainability is addressed in regular performance review meetings with asset managers.

### Selection of asset manager

When selecting asset managers, Livica systematically includes sustainability aspects in its assessment.

### Securities mandates: ESG ratings and “carbon profile”

In the case of listed, indexed securities mandates, an analysis of the ESG ratings reveals minimal differences between the portfolios and the benchmark. The ratings of the various segments of the Livica Collective foundation portfolios are correspondingly in line with the market.

### Active, indirect real estate mandates: GRESB rating

In the real estate industry, one of the most important benchmarks for sustainability is the GRESB rating. This rating has become a widely used market standard, which is also beginning to gain acceptance in Switzerland and is helping to increase the transparency of the real estate sector in terms of sustainability.

### Real estate in Switzerland

Three of the five investment vehicles with a Swiss focus are already publishing GRESB ratings, with two thirds exceeding their respective benchmarks.

### Real estate abroad

The investment vehicle covering the global real estate segment also publishes the GRESB rating. In this case, too, the benchmark is currently being outperformed.



## 7. Memberships of the asset managers of the Livica Collective foundation

Initiatives, networks and industry associations of asset managers of Livica			
	ASPIM	Association française des Sociétés de Placement Immobilier	<a href="https://www.aspim.fr/">https://www.aspim.fr/</a>
	CDP	Carbon disclosure project	<a href="https://www.cdp.net/en">https://www.cdp.net/en</a>
	Climate Action 100+	Global Investors Driving Business Transition	<a href="https://www.climateaction100.org/">https://www.climateaction100.org/</a>
	Climate Bonds Initiative	Climate Bonds Initiative	<a href="https://www.climatebonds.net/about/funders">https://www.climatebonds.net/about/funders</a>
	EMZ	Energie-Modell Zürich	<a href="https://www.energiemodell-zuerich.ch/">https://www.energiemodell-zuerich.ch/</a>
	EP	Equator Principles	<a href="https://equator-principles.com">https://equator-principles.com</a>
	Eurosif	European association for the promotion and advancement of sustainable and responsible investment across Europe	<a href="https://www.eurosif.org/">https://www.eurosif.org/</a>
	FAIRR	FAIRR Initiative	<a href="https://www.fairr.org/">https://www.fairr.org/</a>
	FNG	Forum Nachhaltige Geldanlagen	<a href="https://www.forum-ng.org/de/">https://www.forum-ng.org/de/</a>
	GBP	Green Bond Principles	<a href="https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/">https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/</a>
	GIIN	Global Impact Investing Network	<a href="https://theqiin.org/">https://theqiin.org/</a>
	GRESB	Global Real Estate Sustainability Benchmark	<a href="https://gresb.com/">https://gresb.com/</a>
	GRI	Global Reporting Initiative	<a href="https://www.globalreporting.org/">https://www.globalreporting.org/</a>
	ICGN	International Corporate Governance Network	<a href="https://www.icgn.org/">https://www.icgn.org/</a>
	IFC	Operating Principles for Impact Management of IFC	<a href="https://www.ifc.org/">https://www.ifc.org/</a>
	IIGCC	Institutional Investor Group on Climate Change	<a href="https://www.iigcc.org/">https://www.iigcc.org/</a>
	Klimastiftung Schweiz	Klimastiftung Schweiz	<a href="https://www.klimastiftung.ch/de/">https://www.klimastiftung.ch/de/</a>
	LEA	Living every age	<a href="https://www.lea-label.ch/de/">https://www.lea-label.ch/de/</a>
	NAREIM	National Association of Real Estate Investment Managers	<a href="https://www.nareim.org/">https://www.nareim.org/</a>
	Net Zero AM Initiative	Net Zero Asset Manager Initiative	<a href="https://www.netzeroassetmanagers.org/">https://www.netzeroassetmanagers.org/</a>
	OFD	Observatoire de la finance durable	<a href="https://observatoiredefinancedurable.com/fr/">https://observatoiredefinancedurable.com/fr/</a>
	OP	Ocean Panel	<a href="https://www.oceanpanel.org/">https://www.oceanpanel.org/</a>
	öbu	Der Verband für nachhaltiges Wirtschaften	<a href="https://www.oebu.ch/">https://www.oebu.ch/</a>
	PBD	Plan bâtiment durable	<a href="http://www.planbatimentdurable.fr/">http://www.planbatimentdurable.fr/</a>
	PRI	Principles of Responsible Investing	<a href="https://www.unpri.org/">https://www.unpri.org/</a>
	RSPO	Roundtable on Sustainable Palm Oil	<a href="https://rspo.org/">https://rspo.org/</a>
	SASB	Sustainability Accounting Standards Board	<a href="https://www.sasb.org/">https://www.sasb.org/</a>
	SBTI	Science Based Targets Initiative	<a href="https://sciencebasedtargets.org/">https://sciencebasedtargets.org/</a>
	SFG	Sustainable Finance Geneva	<a href="https://www.sfgeneva.org/">https://www.sfgeneva.org/</a>
	SIA	Schweizerischer Ingenieur- und Architektenverein	<a href="https://www.sia.ch/">https://www.sia.ch/</a>
	SSF	Swiss Sustainable Finance	<a href="https://www.sustainablefinance.ch/">https://www.sustainablefinance.ch/</a>
	SVIT	Schweizerischer Verband der Immobilienwirtschaft	<a href="https://www.svit.ch/de">https://www.svit.ch/de</a>
	TCFD	Task Force on Climate-related Financial Disclosures	<a href="https://www.fsb-tcfd.org/">https://www.fsb-tcfd.org/</a>
	The Wolfsberg Group	The Wolfsberg Group	<a href="https://www.wolfsberg-principles.com/">https://www.wolfsberg-principles.com/</a>
	UN Global Compact	UN Global Compact	<a href="https://www.unglobalcompact.org/">https://www.unglobalcompact.org/</a>
	UN SDG	UN Sustainable Development Goals	<a href="https://sdgs.un.org/goals">https://sdgs.un.org/goals</a>
	UNEP FI	UN Environment Programme Finance Initiative	<a href="https://www.unepfi.org/">https://www.unepfi.org/</a>
	USGBC	US Green Building Council	<a href="https://www.usgbc.org/">https://www.usgbc.org/</a>
	WDI	Workforce Disclosure Initiative	<a href="https://shareaction.org/investor-initiatives/workforce-disclosure-initiative">https://shareaction.org/investor-initiatives/workforce-disclosure-initiative</a>

## Summary

- In several workshops, Livica has dealt extensively and critically with the topic of ESG in asset investment and current ESG topics. During this process, it became clear that the topic of “sustainable investment” is an ongoing process and should therefore currently be regarded as a “moving target”.
- As a result, Livica assumed its responsibility as a collective foundation and conscientious investor by deciding to have an external, independent status report compiled on its current investments. This provided an overview of the various forms and standards of sustainability currently used in the portfolio.
- The governing bodies of Livica have come to the conclusion that, based on the results of the status report on sustainability, which are summarised in this document, Livica is in a very good position.