



Pension Fund of Credit Suisse Group (Switzerland)

Sustainability strategy for the investment of assets

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Introduction

The ESG Committee of the Pension Fund of Credit Suisse Group (Switzerland), working on behalf of the Board of Trustees, is responsible for developing the sustainability strategy for the investment of assets. In collaboration with the Investment Committee and the Chief Investment Officer (CIO), the ESG Committee continuously reviews the content of the sustainability strategy, thereby helping to ensure long-term and sustainable income for our insured. The principles of our sustainability strategy for the investment of assets are explained below, along with the strategies used to implement them. The terms ESG and sustainability/sustainable investment are used as synonyms in the content that follows.

Our core mission

As part of the Swiss pension system, the task of a pension fund is to enable the insured, together with the state pension system (AHV/IV), to continue their normal standard of living after retirement. The Board of Trustees, as the highest body of a pension fund, is appointed in accordance with Art. 51b(2) BVG to protect the interests of the insured as part of its fiduciary duty of due diligence and to ensure that the fulfillment of the purpose of the pension fund as well as the achievement of a return in line with the market in accordance with Art. 51 BVV2 is guaranteed in the long term. In fulfilling this mandate, all risks with potential to negatively impact fixed assets must be taken into account in order to ensure long-term pension security.

When investing assets, our pension fund considers its core mission to be generating a long-term return in the interests of our insured to cover existing and future benefit commitments. Further-reaching investment objectives, such as sustainability or climate targets, must therefore be compatible with the goal of long-term asset generation and must not be allowed to jeopardize this goal.

Definition and integration of sustainability

Our pension fund defines the term sustainability in terms of three factors: environmental, social, and governance – referred to in the content that follows as ESG factors. As part of its sustainability strategy, our pension fund considers all three factors to be of equal importance. When assessing the sustainability of its investments, our pension fund makes a distinction between the risk perspective and the impact perspective. The risk perspective includes risks relating to ESG factors that have a financial impact on our investment of assets. The impact perspective focuses on the effect the investment of assets has on the environment and society and on their future development.

Our pension fund believes that considering risks related to ESG factors in the investment process is an inherent part of the fiduciary duty of due diligence and is in the best interests of our insured. This means that ESG factors must be integrated as part of the risk and return analysis when making investment decisions. Moreover, and where compatible with our core mission of generating sufficient returns to cover existing and future benefit commitments, our goal is for our investments to support and have a positive impact on sustainable environmental and social development. When making investment decisions, it is important to carefully weigh the different interests and to prioritize them to the best of our knowledge in the interests of all insured.

In conclusion, our pension fund's understanding of sustainability can be summarized as follows:

For our pension fund, sustainability means pursuing a long-term investment strategy and ensuring the fulfillment of existing and future pension commitments. To this end, our investment process takes into account both ESG risks and the impact of our investments on society, the environment and, in particular, the climate.

Governance structure

The ESG Committee (EC) of our pension fund is responsible for the elaboration and further development of the sustainability strategy with regard to the investment of assets and reports to the Board of Trustees. The EC advises the Board of Trustees on defining the sustainability strategy and makes recommendations. The Board of Trustees adopts the sustainability strategy and, in the case of proposals for new elements of the sustainability strategy, the Board of Trustees decides on the procedure and

competencies for operational implementation and maintenance (e.g. maintenance of the exclusion list). The EC carries out the implementation on behalf of the Board of Trustees and is responsible for monitoring implementation, progress, and the following tasks:

Development of ESG strategy specifications	<ul style="list-style-type: none"> Preparation of strategy documents on the sustainability of the investment of assets for the attention of the Board of Trustees Periodic review of the overall sustainability strategy and its implementation
Exclusion list	<ul style="list-style-type: none"> Preparation of the exclusion list in consultation with the Investment Committee Application to the Board of Trustees for the investments to be excluded from the investment universe Monitoring of implementation
Exercise of voting rights	<ul style="list-style-type: none"> Definition of the requirements for the exercise of voting rights in the interests of the insured Application for the same to the Board of Trustees Monitoring of the exercise of rights as member and owner
Engagement	<ul style="list-style-type: none"> Preparation of the engagement strategy for the attention of the Board of Trustees Monitoring of implementation of the engagement strategy
Collaboration	<ul style="list-style-type: none"> Recommendation on the membership of the Pension Fund in working groups, associations, and initiatives in the field of sustainable investment for the attention of the Board of Trustees
Reporting	<ul style="list-style-type: none"> Level-appropriate information to the Board of Trustees and insured (internal and external communication) about the sustainability strategy

Cooperation with the other committees

The EC works closely with the Investment Committee (IC), which is represented on the EC by its Chair, to develop the content of the sustainability strategy. The table below provides an overview of the different roles involved in the development and implementation of the sustainability strategy:

	EC	IC	BoT	CIO
<p>Definition of sustainability strategy: On behalf of the Board of Trustees, the EC develops the strategic guidelines for the sustainability of investments. When developing the sustainability strategy, the EC takes the IC's recommendation and includes it in the proposal for implementation to the Board of Trustees. Changes to strategic benchmarks are to be dealt with as part of the ALM process.</p>	Development of strategy	Consultation by EC	Approval	.
<p>Definition of implementation in the asset classes: Together with the IC, the EC is responsible for defining the specific measures to implement the sustainability strategy within the individual asset classes as well as the procedure for implementation. The EC is responsible for assessing the measures with regard to their suitability for implementing the sustainability strategy, while the IC checks the measures for their compatibility with the existing investment objectives. In the event of disagreement on implementation, measures affecting the strategic orientation of the investment, or conflicts of objectives with the existing investment mandate, a decision is made by the Board of Trustees.</p>	Decision on implementation if existing investment requirements are met		Decision on new investment requirements	Information
<p>Operational implementation in asset classes: The CIO is responsible for the operational implementation of the agreed measures and defines the competencies for implementation. Where necessary, the EC and IC are informed. The EC is ultimately responsible for reviewing the implementation progress.</p>	Review of implementation	Information	Information	Implementation
<p>Reporting Internal and external reporting on sustainability to stakeholders.</p>	Preparation	Information	Approval	Information

Mission statement

The following mission statement outlines the principles of our strategy for sustainable investment of assets. Our mission statement is intended to help our insured and other stakeholders to understand the objectives of our sustainability strategy and to place them

in the context of our overall investment strategy.

Management of ESG risks

The focus of our sustainable investment activities is on identifying and managing ESG-related investment risks that have the potential to negatively impact financial returns for the benefit of our insured. To this end, our pension fund systematically takes into account ESG risks during the investment process. Our goal is to assess ESG risks and opportunities in the interests of our insured and to make sound investment decisions, both when making investment decisions within individual asset classes and at the level of total assets. Accordingly, processes for identifying and assessing ESG risks must be established in all asset classes as well as at the level of total assets through strategic and tactical asset allocation – at the level of asset classes through the investment concepts, and at the level of mandates through corresponding specifications and guidelines.

Sustainability and impact as strategically important factors for the investment of assets

Our pension fund recognizes that societal and environmental developments have a material impact on our investments and that we, as one of the largest pension funds in Switzerland, can have an influence on developments within society and affecting the environment (especially the climate). Consequently, sustainability is a strategically important factor for the investment of assets for our pension fund, and one that we aim to integrate into our entire investment process.

Inclusion of all asset classes

Our pension fund's concept for sustainable investment is intended to include all asset classes. Our pension fund is working systematically toward this goal and would like to develop a holistic concept for sustainable investment of assets that takes into account in its implementation the ESG factors as well as the economic dimension, and compares them in a transparent way.

Active investor

Our pension fund is an active investor in respect of sustainability and promotes the implementation of ESG standards through cooperation with other investors. To this end, our pension fund maintains an active dialogue with selected invested companies and exerts influence on their business activities. Furthermore, our pension fund pursues a structured voting policy for its equity investments and supports agenda items in favor of sustainability aspects, such as the implementation of targets for reducing CO2 emissions or increased reporting obligations on these topics. The associated voting guidelines are published on the Pension Fund's website.

Transparency and reporting

Our pension fund is a transparent investor and publishes information that promotes global dialogue on sustainable investment of assets. It shows in a transparent manner how ESG factors are taken into account during the investment process, what progress has been made in implementing the sustainability strategy, and what measures have been taken. This also includes measuring the impact of our sustainability strategy on our investment of assets and transparently communicating its effects, for example on our returns. We demand the same transparency regarding the integration of ESG factors in the investment process from our externally managed mandates and rely here on close cooperation and dialogue with the relevant portfolio managers.

Areas for action

The implementation of our pension fund's sustainability strategy is based on five pillars, which are applied depending on the individual characteristics of each asset class:

Exclusion	Controversial weapons plus behavior-based exclusions
Active ownership	Exercise of For equity investments in Switzerland and select equity investments in Europe, the voting rights US, Canada, and the APAC region
	Engagement By means of collaborative engagement in the case of equities and corporate bonds
Integration	We consider ESG integration to be an integral part of the strategy, provided that asset-class-specific measures to implement the sustainability requirements have been selected and a comprehensible and verifiable description of the implementation is available.
Dialogue and collaboration	Regardless of the asset class, our pension fund is a member of the following associations dedicated to supporting sustainable investment of assets: Swiss Sustainable Finance, UNPRI, ClimateAction100+
Reporting	Sustainability reporting for our Board of Trustees plus information on the website

Our pension fund represents the interests of a large number of insured with different ideals and different political and moral values. Conscious of this diverse foundation, our pension fund bases the development of its sustainability strategy on recognized conventions that have been ratified by Switzerland. The following elements form the basis of our ESG framework:

- The Federal Constitution of the Swiss Confederation and Swiss legislation
- UN Global Compact

Exclusion

Investments are excluded from the investment universe if no possibility is seen to improve the items considered unsustainable in relation to the companies. Accordingly, exclusion can occur based on the following criteria:

1. Violation of conventions or treaties ratified by Switzerland (currently controversial weapons)
2. Violation of the principles of our sustainability or climate strategy
3. Stranded assets (assets that lose their value due to the global sustainability transition)
4. Unsuccessful engagement with the companies

The ESG Committee, with the involvement of the Investment Committee, defines the exclusion criteria to be applied for operational implementation (e.g. revenue shares of the controversial business activities or the sectors concerned) and then applies to the Board of Trustees for implementation. The ESG Committee reviews the exclusion list periodically. If the exclusion criteria are adjusted or tightened, implementation by the ESG Committee, after consultation with the Investment Committee, will be requested from the Board of Trustees.

Where exclusion criteria are already being applied, the ESG Committee may add or remove individual companies from the exclusion list. The Investment Committee will then be notified. In the event of an objection to an adjustment to the exclusions, the Investment Committee may escalate to the Board of Trustees. The Board of Trustees is also informed at least annually about any expansion undertaken by the ESG Committee.

Active ownership

Our pension fund is an active owner and exercises/fulfills its rights and duties as an investor in the interests of its insured. As an active owner, our pension fund relies on strategic exchange with companies (engagement) as well as the exercise of its voting rights in its equity investments in order to address important environmental, social, and governance issues. Our pension fund believes that it is its duty as an owner to exert influence on the companies in which it invests. The exercise of voting rights focuses more on social and governance aspects, while environmental considerations are the main focus in engagement.

Exercise of voting rights

The exercise of voting rights in the course of active ownership forms a central component of our sustainability strategy. By actively exercising its voting rights, our pension fund looks after the long-term interests of its insured within the scope of its fiduciary duty of due diligence and contributes to sustainable corporate development.

Our pension fund defines its voting rights universe (securities with active exercise of voting rights) in such a way that it can exert the greatest possible influence on the companies through its exercised voting rights. To this end, the ESG Committee develops and monitors the voting rights concept on behalf of the Board of Trustees and is responsible for its implementation. When developing the voting rights concept, principles and criteria are defined that are to be applied when analyzing the individual motions at the general meetings. This process is supported by internal units as well as by an external voting rights consultant, which prepares a non-binding voting rights recommendation for each company based on the previously defined criteria. The ESG Committee decides on the exercise of voting rights and defines the process for how voting rights recommendations are to be applied. As part of a commitment to transparent reporting, our pension fund publishes its voting results and the voting rights criteria used in summarized form on its website in each case.

Engagement

Our pension fund believes that dialogue with companies and regulators is an important way of influencing their activities and shaping future policy. In order to establish an effective and impact-oriented engagement strategy, our pension fund relies on a collaborative engagement-based approach with other investors. The strategic and multi-year engagement dialogue with the individual companies is conducted by a company that specializes in engagement dialogue and that has been commissioned by our pension fund. The aim of the dialogue is to improve business activities in critical environmental, social, and governance areas. For this purpose, a multi-year engagement plan is prepared annually and discussed together with the affiliated investors.

Integration

Our pension fund defines ESG integration through the systematic inclusion of ESG criteria in the investment process so that opportunities and risks relating to these criteria can be identified. To qualify as ESG integration, the corresponding procedure must be recorded in writing and reviewed by the ESG Committee. The procedure for ESG integration is recorded per asset class as part of the regular implementation concept and includes the following points as a minimum:

- Procedure for complying with existing sustainability strategy requirements (if applicable to the asset class).
- Description of the manager's approach to integrating ESG information and factors into investment decisions.
- Definition of material ESG risks within the mandate and description of their management.
- Identify opportunities for reporting ESG-related information within the mandate.

Our pension fund is actively involved in the drafting of these implementation concepts and in the corresponding integration of ESG factors.

Dialogue and collaboration

Our pension fund participates in the global dialogue on sustainable investment of assets and aims to promote the development and establishment of standards in this area. Our pension fund is a member of the following initiatives/associations:

- UN Principles for Responsible Investment (UNPRI)
- Swiss Sustainable Finance
- ClimateAction100+

As a signatory to the **UN Principles for Responsible Investment**, our pension fund supports the following principles and works continuously to apply them to its investment of assets:

1. We will incorporate environmental, social, and governance (ESG) considerations into processes for investment analysis and decision-making.
2. We will be active owners and integrate ESG considerations into our ownership policies and practices.
3. We will ensure appropriate disclosure on ESG considerations among the companies in which we invest.
4. We will promote the acceptance and implementation of the principles in the investment industry.
5. We will work together to make our implementation of the principles more effective.
6. In each instance we will report on our activities and our progress with implementing the principles.

As an active member of **Swiss Sustainable Finance**, the Pension Fund participates in the global dialogue on sustainable assets and in this way supports the development and establishment of standards in this area. Our affiliation with **ClimateAction100+** further underlines our engagement strategy in the area of climate.

Reporting

Reporting to the Board of Trustees on sustainability in the portfolio takes place at least quarterly and on an ad-hoc basis when important issues arise and where it is deemed necessary. Our insured are informed about our sustainability strategy via our website. Furthermore, by adhering to the UN Principles for Responsible Investment, our pension fund has committed itself to publishing an annual report on the sustainability of its investments.

Climate strategy

Our pension fund believes that the inclusion of climate factors in the investment process and the consideration of long-term climate risks and our climate impact are important issues for our insured when it comes to environmental sustainability. Our pension fund also believes that future climate trends and their impact on our environment and society are one of the most important factors in maintaining a functioning society and environment, and thus a good standard of living for our insured.

Mandate

As a pension fund, we consider that our mandate is to monitor climate risks in the portfolio and to take them into account in our investment decisions. Our pension fund works to establish processes for measuring and assessing climate risks in the portfolio so that these can be systematically taken into account during the investment process. The strategic goals in this area are set out in the separate climate strategy.