

# Swiss Life Asset Managers Luxembourg

## *SFDR Art. 4 - Due Diligence Statement on Adverse Sustainability Impacts*

June 2022

## Swiss Life Asset Managers Luxembourg Due Diligence Statement on Adverse Sustainability Impacts

Swiss Life Asset Managers Luxembourg Due Diligence Statement has been adopted by the Management Committee of Swiss Life Asset Managers Luxembourg on 23 February 2021. It covers the period from 10. March 2021 onwards. The Due Diligence Statement has been revised in June 2022 and the next periodic revision of this statement/policy is expected to take place by 30 June 2023 or *ad hoc* as appropriate.

This statement is based on internationally recognized standards for due diligence and reporting, in particular on the UN Global Compact (UNGC). In addition, Swiss Life Asset Managers adheres to the following due diligence / transparency standards which are relevant in the context of responsible investment:

- Principles for Responsible Investment (PRI)
- International Corporate Governance Network (ICGN)
- Task Force on Climate-related Financial Disclosure (TCFD)

Swiss Life Asset Managers is currently further developing its due diligence approach to human right to meet the standards of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

### ***Adverse Sustainability Impacts***

At Swiss Life Asset Managers and Swiss Life Asset Managers Luxembourg, adverse impacts of an investment decision on sustainability factors (“**Adverse Sustainability Impacts**”) are adequately considered during the investment decision process. Sustainability factors’ mean, environmental, social and employee matters, respect of human rights, anti-corruption and anti-bribery matters. Swiss Life Asset Managers and Swiss Life Asset Managers Luxembourg are prudent asset managers and recognize that their investment management activities may have Adverse Sustainability Impacts.

Swiss Life Asset Managers and Swiss Life Asset Managers Luxembourg assess and monitor Adverse Sustainability Impacts with adverse sustainability indicators. They have procedures in place to identify how investment management activities are linked to Adverse Sustainability Impacts and how to prevent, mitigate and remediate them.

As encouraged by internationally recognized due diligence standards, Swiss Life Asset Managers and Swiss Life Asset Managers Luxembourg prioritize Adverse Sustainability Impacts into so called “**Principal Adverse (Sustainability) Impacts**” / “**PAIs**” based on their severity, probability of occurrence, and the overall risk appetite.

Broad-based and meaningful data availability (incl. continuously improving data coverage) are increasingly important in this prioritization.

For example, climate change is one of the most severe and likely environmental risk at global level and the ac-

tivities that Swiss Life Asset Managers and Swiss Life Asset Managers Luxembourg finance do contribute to greenhouse gas emissions to a certain extent. The real estate industry is responsible for 40% of energy consumption and 36% of CO<sub>2</sub> emissions in the European Union<sup>1</sup>. As 31% of the assets under management at Swiss Life Asset Managers are invested into the real estate area<sup>2</sup>, Swiss Life Asset Managers and Swiss Life Asset Managers Luxembourg acknowledge to play a part in reducing the indirect contribution to climate change and to foster a less carbon intensive real-estate industry.

For securities, Swiss Life Asset Managers and Swiss Life Asset Managers Luxembourg have adopted a thermal coal phase-out strategy. To manage the risk of stranded assets, Swiss Life Asset Managers and Swiss Life Asset Managers Luxembourg have decided not to undertake new investments in companies that derive more than 10% of revenues from mining, extraction or selling of thermal coal. In addition, the development of the exposure of our investments towards climate risk is monitored on the basis of selected carbon metrics (e.g. carbon intensity and absolute carbon emissions).

Further information on these topics are available here:

<https://www.swisslife-am.com/en/home/company/engagement/responsible-investment.html>

### ***Principal Adverse (Sustainability) Impacts / PAIs***

Swiss Life Asset Managers and Swiss Life Asset Managers Luxembourg have identified the following sustainability issues as the most relevant Adverse Sustainability Impacts, (“Principal Adverse (Sustainability) Impacts/PAIs”) to focus on:

1. **Climate and environmental-related indicators** based on the following adverse sustainability indicators:
  - Greenhouse gas emissions
  - Energy Performance
  
2. **Social and employee, respect for human rights, anti-corruption and anti-bribery matters** based on the following adverse sustainability indicator:
  - Social and employee matters
  - Human Rights

The prioritization of the PAIs (and the key performance indicators (“**KPIs**”) derived from the PAIs) as well as the applied metrics related thereto may vary for different asset classes and there may be re-prioritization over time. This is *inter alia* related to the fact that both, data availability and data quality on the PAIs vary across asset classes and will further evolve over time. Furthermore, dedicated investment funds and other financial products managed by Swiss Life Asset Managers Luxembourg and other asset management companies of Swiss Life Asset Managers may focus on other or additional PAIs as described in the respective product documentation.

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<sup>1</sup> Source: International Energy Agency

<sup>2</sup> [Swisslife Responsible Investment Report 2021 – p6](#)

The above stated PAIs are solely monitored for directly held assets. Indirect assets as for example fund of funds or other external financial instruments are currently out of scope. However, Swiss Life Asset Managers and Swiss Life Asset Managers Luxembourg generally expect external asset managers or externally active managed investment funds in which Swiss Life Asset Managers and Swiss Life Asset Managers Luxembourg invest to have adequate due diligence procedures on negative sustainability impacts as its own.

### ***Governance***

This Due Diligence Statement on Adverse Sustainability Impacts forms part of Swiss Life Asset Managers responsible investment approach which is steered by a functional ESG Board that reports to Swiss Life's Group Chief Investment Officer of Swiss Life. The ESG Board makes recommendations and advises the Executive Committee of Swiss Life Asset Managers generally on ESG matters, including but not limited to adverse sustainability impacts. The Executive Committee is ultimately responsible for Swiss Life Asset Managers' responsible investment approach across all asset classes.

Swiss Life Asset Managers Luxembourg is responsible for the ESG strategy of each product for which it acts as AIFM / Management Company, its implementation, aligned and coordinated with the overarching Responsible Investment approach. Within that approach, Swiss Life Asset Managers Luxembourg reflects ESG factors provided that they are compatible with the strategic orientation of the individual product and/or the investment scope of its investors. Furthermore, Swiss Life Asset Managers Luxembourg ensures that this is done in accordance with Luxembourg legal and regulatory requirements and that sustainability (including but not limited to the consideration of sustainability risks) is adequately embedded in its governance.

### ***Actions taken during the reference period and Actions envisaged for the next reference period***

Swiss Life Asset Managers and Swiss Life Asset Managers Luxembourg are currently gathering the information regarding the measures which have been taken in relation to the PAIs. The Due Diligence Statement on Adverse Sustainability Impacts will be updated as soon as possible to provide the measures taken.

However, a set of actions has been defined to improve the management of the PAIs:

- **Securities** - Current situation: The green investment program was initiated at Swiss Life Asset Managers to improve the PAIs of the proprietary insurance asset fixed income portfolio. Its objectives encompass carbon intensity monitoring, green bond investments and thermal coal exclusions. The latter has been adopted by Swiss Life Asset Managers Luxembourg together with exclusion of companies involved in the construction, development and purchase of controversial weapons. Further, we enhanced our engagement efforts not only in the proxy voting process, where we analyze environmental or social voting items of our equity holdings, but we have also joined ClimateAction100+ to collaborate in climate-related company dialogue. For the next reference period, we are planning to further elaborate our engagement approach, especially in the area of fixed income. Further, integration of climate-related metrics in internal and client reporting is in focus.
- **Real Estate** - Current situation: Considering the whole property investment cycle, we believe PAIs can

be managed best in a combined approach which covers acquisition, construction and operation. The first has been addressed with an encompassing incorporation of PAIs in the due diligence process of each property acquisition following the most relevant KPIs as defined by Swiss Life Asset Managers Luxembourg. The latter is targeted on multiple levels. Addressing for example the adverse sustainability impact greenhouse gas emissions, we analyze the portfolio carbon emissions and seek to set reduction potential encompassing the whole real estate portfolio. For the next reference period, we are planning to increase ESG performance data transparency and coverage; define measurable targets for our carbon reduction path and monitor performances against those targets. Further, tenant's engagement (dialogue and satisfaction) is also in focus.

- **Infrastructure** - Current situation: PAIs are managed through due diligence, exclusions, benchmarking of portfolio companies in independent surveys and execution of an ESG strategy which aims to minimize PAIs through ESG actions in ongoing asset management. A plan that encompasses environmental, social and governance goals and actions is implemented for infrastructure assets before investing is carried out by Swiss Life Asset Managers Luxembourg, based off due diligence findings. KPI tracking is being rolled out currently, with greenhouse gas emissions among the indicators to be systemically tracked and reduced. For the next reference period, we are planning further elaborate and implement our engagement approach.

### ***Engagement Practices and Engagement Policy***

Swiss Life Asset Managers and Swiss Life Asset Managers Luxembourg consider engagement as an integral part of its responsible investment approach. The engagement activities are based on the active stewardship principle. Swiss Life Asset Managers dedicated engagement policy is available here:

<https://www.swisslife-am.com/en/home/company/engagement/responsible-investment.html>

The engagement policy is complemented by Swiss Life Asset Managers Luxembourg voting policy. The policy is available here:

[https://www.swisslife-am.com/content/dam/slam/documents\\_publications/Policies-Countries-Legal-Entities/LUX-Funds/lux-funds-2020/SLAM%20LUX%20Voting%20Rights%20Policy.pdf](https://www.swisslife-am.com/content/dam/slam/documents_publications/Policies-Countries-Legal-Entities/LUX-Funds/lux-funds-2020/SLAM%20LUX%20Voting%20Rights%20Policy.pdf)

### ***International Standards***

Swiss Life Group, or Swiss Life Asset Managers is a signatory of or member of the following initiatives which are inter alia setting standards and best practice relevant for responsible investing in the asset management industry:



"Swiss Life Asset Managers" is the brand name for the Swiss Life Group's asset management activities.

SFDR requires Swiss Life Asset Managers Luxembourg to disclose certain information on the consideration of adverse sustainability impacts of investment decisions on sustainability factors at our firm.

*Swiss Life Asset Managers Luxembourg  
Société anonyme  
4a, Rue Albert Borschette  
1246 Luxembourg  
Luxembourg*

*Info-lux@swisslife-am.com  
+352 267585 0*