KIEGER

dare to care

Sustainable Investment Policy

Kieger AG / Policy No 14

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This Sustainable Investment Policy ("**Policy**") sets out Kieger AG's ("**Kieger**") sustainable investment approach, provides guidance to all employees of Kieger and addresses regulatory requirements. SFDR related disclosures are addressed in a separate Appendix to this Policy.

Kieger will continue to develop its approach to sustainable investing, as well as its policies and procedures, in line with its investment philosophy and conscious of the evolution of sustainable investment practices.

1 Introduction

Kieger's investment philosophy is to adopt a long-term perspective that values sustainability. It is Kieger's belief that issuers which operate in an environmentally and socially sustainable manner, and which employ sound governance practices, are more likely to deliver long-term value across stakeholders.

Investment approaches that consider the impacts of underlying investments across stakeholders in the economy are gaining significance, as investors are increasingly demanding greater alignment between how their wealth is invested and what they care about. Kieger's growing focus on sustainability is embedded in its core set of values: to be ambitious, dedicated, purposeful and to make a positive difference.

Kieger strives to design solutions for caring, purposeful investors dedicated to creating a sustainable future, meeting their investment objectives in line with their sustainability preferences, risk profile and investment horizon. Kieger has adopted a sustainable investment framework outlining the primary approaches to sustainable investing from simple exclusions to impact-generating approaches. For investors who seek to focus on sustainable investments, Kieger emphasises sustainable investment approaches with the potential to play a role in improving environmental and social outcomes, alongside the delivery of attractive financial returns.

2 Sustainable investment framework

2.1 Sustainable investment approaches

Kieger takes a systematic approach to sustainable investing. Kieger has formulated a sustainable investment framework ("**Framework**") outlining the spectrum of investment approaches implementing environmental, social and governance (ESG) considerations. The Framework is used to guide portfolio management activities by assessing and classifying investment strategies according to the implemented sustainable investment approach. It also enables meaningful conversations with clients about their sustainability preferences and facilitates transparency about the manner in which Kieger incorporates these preferences into the investment management of their assets.

The Framework outlines four primary sustainable investment approaches which take into account both investor expectations and portfolio management considerations (Graph 1). The different approaches are outlined below and discussed further in section 2.2.

Graph 1: Sustainable investment approaches

2.1.1 Exclusion

The adoption of Exclusions as a basis for incorporation of ESG considerations in investment management allows investors to avoid certain exposures in their portfolio by codifying exclusionary screening based on economic activities and/or business conduct practices.

2.1.2 ESG Integration

The primary purpose of ESG integration is to enable investors to consider an expanded range of factors in their investment decision making beyond traditional financial analysis. ESG integration involves systematic assessment of ESG considerations as part of the investment management process.

2.1.3 Sustainability-focused

Sustainability-focused approaches enable investors to target current and future leaders in the management of ESG factors across their operations. There are two approaches that Kieger classifies as sustainability-focused: the Leaders and the Improvers approach. The Leaders approach systematically favours issuers exhibiting superior performance with respect to the management of financially material ESG considerations as well as sustainability risks and opportunities material for broader stakeholder groups. On the other hand, the Improvers approach focuses on identifying issuers that may not as yet adopt best practice in the management of material ESG considerations, but that nevertheless exhibit a superior trajectory in adopting such practices and transitioning their operations accordingly.

2.1.4 Impact-focused

Impact-focused approaches allow investors to participate in the improvement of environmental and social outcomes. There are two sustainable investment approaches that Kieger classifies as impact-focused: the Impact-aligned and Impact-generating approach. The Impact-aligned approach allows investors to focus on activities with a positive impact for people and planet. This is achieved by focusing the investment opportunity set to those issuers and issues that enable economic activities with a notable positive contribution to environmental or social outcomes. The Impact-generating approach enables investors to contribute towards improved environmental or social outcomes more directly. This is achieved through targeted capital deployment and/or structured engagement programs that aim to increase the production of products and services with material positive impacts to societies or the environment, or to mitigate the negative impacts of economic activities.

2.2 Investment process elements

Each sustainable investment approach aims to fulfil the broad investor expectations, outlined in the previous section, through applying a number of investment process elements.

Specifying the different investment process elements that are key to each sustainable investment approach, sets a broadly uniform standard across Kieger's investment teams, both those investing directly and those investing via third-party funds and managed accounts. This enables Kieger to achieve a repeatable and consistent application of its Framework across Kieger's investment offering and to better manage the complexity related to different asset classes, geographies and investment styles.

Table 1 shows a non-exhaustive overview of the investment process elements relevant across sustainable investment approaches. The fields with a tick that are highlighted in grey represent those process elements that are key to each approach. The fields marked as "optional" are process elements that are optional for a given sustainable investment approach.

Table 1: Sustainable investment approaches – investment process elements

Sustainable investing approaches (columns) Investment process elements (rows)		Exclusions	ESG integration	Sustainability-focused		Impact-focused	
				Improvers	Leaders	Impact-aligned	Impact-generating
Exclusions	Predetermined exclusion screening	✓	optional	optional	optional	optional	optional
Sustainability assessment	Factors material to shareholders		✓	✓		✓	
	Factors material to stakeholders		optional	✓		✓	
	Impacts on people and planet		optional	optional		✓	
Selection framework	Superior performance trajectory		optional	✓	optional	optional	
	Superior current performance		optional	optional	✓	optional	
	Investee contribution			optional	optional	✓	✓
	Investor contribution						✓
Active stewardship	Engagement & voting		optional	✓		✓	
Monitoring & reporting	Company operations		✓	✓		✓	
	Outcomes to people and planet		optional	optional		✓	

2.2.1 Exclusions

Investment strategies that focus on Exclusions, thrust aside investments in issuers according to predetermined filters based on ESG considerations. Exclusionary screening can take a variety of forms. They are often used to avoid companies that violate well-established norms such as those enshrined in international conventions that establish standards of acceptable and unacceptable practices on social and environmental issues. Prominent examples of norm- and conduct-based exclusions are the manufacturing of controversial weapons (such as anti-personnel mines and cluster bombs) and the engagement in controversial business conduct (such as defined for example in reference to the UN Global Compact or the Universal Declaration of Human Rights). Based on the values of investors, exclusions may also be applied on certain products or activities (such as for example arctic drilling or coal). Exclusions may be an element of any sustainable investment approach.

2.2.2 Sustainability assessment

All the other sustainable investment approaches include a sustainability assessment as part of the investment process. As such, they expand the scope of information considered in the management of investors' portfolios. ESG integration considers factors financially material to shareholders, such as the financial impact of climate change. For example, in the transport industry, infrastructure that is poorly adapted to extreme weather conditions, may lead to high maintenance costs and lost revenue due to cancellations. Sustainability-focused approaches consider moreover factors that are material to a broader set of stakeholders, such as responsible sourcing of raw materials in a firm's supply chain. Impact-focused approaches furthermore adopt an explicit focus on the social and environmental impacts arising from economic activities, such as providing healthcare services to underserved communities or building renewable energy infrastructure.

2.2.3 Selection framework

While ESG integration is an important element of the more advanced Sustainability-focused and Impact-focused sustainable investment approaches, the latter go further by deploying a selection framework, explicitly linking the sustainability analysis to issuer/issue portfolio inclusion and sizing decisions. The Improvers approach focuses on the trajectory of issuers based on the sustainability assessment of their operations, whereas the Leaders approach focuses on their current performance. The Impact-aligned approach centres on the investee contribution to sustainability challenges via the products and services their economic activity generates. The Impact-generating approach goes one step further by emphasizing the contribution of investors in accelerating the positive outcomes of economic activities or mitigating their negative outcomes via targeted capital-deployment or engagement programs.

2.2.4 Active stewardship

Active stewardship practices are typical of the more advanced Sustainability-focused and Impact-focused sustainable investment approaches. The relative importance of active stewardship practices however can vary depending on the specifics of an investment strategy. For example, active stewardship may be focused on proxy voting in one investment strategy, but entail a sophisticated engagement program in another strategy that seeks to motivate companies to adopt corporate practices with superior environmental or social outcomes.

2.2.5 Monitoring and reporting

Monitoring and reporting is another important investment process element, as it provides investors with the needed transparency to assess the implementation and outcomes of the sustainable investment approach. It can focus on company operations (such as board diversity or carbon emissions) or encompass outcomes to people and planet (such as extending medical coverage to underserved populations or bringing to market insurance products that help with adaptation to climate change).

3 Important implementation aspects

3.1 Combining sustainable investment approaches

Kieger strives to invest in firms that uphold international norms and conventions. Kieger therefore applies exclusions in the management of direct holdings in public companies, and investigates the exclusion policies of its third-party fund managers as part of the manager due diligence process. Moreover, Kieger believes that ESG integration is important for financially sound investment management. Kieger's investment teams strive where possible to implement sustainable investment approaches that extend beyond ESG integration, to optimise exposure to sustainability risks and opportunities that are likely to become the key drivers of financial and impact outcomes in the future.

The portfolio mix across the different sustainable investment approaches within Kieger's Framework will moreover depend on each investor's specific investment objectives, including their sustainability preferences, risk profile and investment horizon.

3.2 The impact potential of sustainable investment approaches

The Sustainability-focused and Impact-focused sustainable investment approaches elevate ESG considerations to a primary importance in the selection and ongoing monitoring of issuers and issues. In the view of Kieger, these more advanced, positive selection processes have the potential to play a positive role in the improvement of environmental and social outcomes, as well as to deliver attractive financial returns over the longer-term.

Three factors underline the positive impact potential of the Improvers, Leaders, Impact-aligned and Impact-generating sustainable investment approaches:

- Sustainability analysis: comprehensive analysis of ESG considerations, including considerations material to stakeholders
- Positioning: strong link of sustainability analysis to positioning in the portfolio
- Intentionality: the intentional emphasis on ESG considerations throughout the investment process drives the portfolio's sustainability profile

Portfolios focusing on advanced sustainable investment approaches are likely to have higher allocations to sustainability themes and related market segments and to be less exposed to certain segments of the market (such as high emitting sectors with low transition potential) and issuers (such as companies persistently engaged in severe controversies). Over shorter time frames, Kieger recognises that this focus can lead to performance deviation versus the broad market and may result in elevated tracking error versus traditional benchmarks.

3.3 Active stewardship, engagement and voting

Active stewardship is central to investing with a long-term perspective that values sustainability. It is also key to actively identify and manage sustainability risks and opportunities, including related social and environmental impacts. As such, Kieger aims to engage with its portfolio companies and managers through active dialogue and, where relevant, proxy voting and co-filing of shareholder proposals. Kieger also pursues to participate in collaborative engagement initiatives, which it views as an effective way to raise standards and promote good practices.

When engaging with its managers and direct corporate holdings, Kieger's purpose is to either seek understanding or, where necessary, to trigger change that will protect and enhance the value of investments for which Kieger is responsible. Kieger highlights its assessment of the weaknesses in the management of ESG considerations to the manager/company and encourages them to improve. If this approach proves ineffective and the identified issue persists, Kieger will escalate the issue by taking additional actions as necessary, including potentially divesting.

3.3.1 Kieger-managed public equity

Kieger recognises its responsibility to exercise voting rights in an appropriate manner. Therefore, Kieger evaluates voting issues on its investments and, where Kieger has the authority to do so, votes on them in line with its fiduciary responsibilities in what Kieger deems to be in the best interests of its clients. Kieger shall retain a third-party voting service ("**Proxy Voting Service**") to assist in determining its voting policy and in the implementation and administration of proxy voting functions. Among its responsibilities, the proxy service prepares a written analysis and recommendation of each proxy vote. Kieger proactively exercises voting rights and pursues an active dialogue with the companies in which it invests.

The Proxy Voting Service may also assist Kieger by providing operational, record-keeping and reporting services. Kieger conducts periodic reviews of proxy services. These include but are not limited to a review of the proxy services, general organisational structure, new developments with respect to research and technology, workflow improvement and internal due diligence with respect to conflicts of interest. Kieger shall monitor and adjust its proxy voting policy on an ongoing basis. The proxy voting policy is pre-defined based on sustainability considerations and shall be made available to the investors upon request.

Additionally, Kieger may also file shareholder proposals jointly with other investors.

3.3.2 Kieger third-party fund investments and managed accounts

Kieger's multi asset and private equity investment teams pursue an active dialogue with the managers in which they invest. The ability and willingness of the external managers to engage with the underlying companies is an important consideration in the manager selection process.

Kieger discusses material ESG considerations also after capital has been allocated to an external manager, during periodic performance and sustainability reviews. Further, where possible and relevant, Kieger may also engage in an active dialogue with its managers with respect to their specific portfolio holdings that warrant a closer look from an ESG perspective. In case this dialogue and related due diligence leads to the identification of sustainability-related concerns, these are escalated and further investigated.

4 Reporting

Clients receive sustainability reporting, the format of which is discussed with them individually.

Further, Kieger produces an annual report on its active ownership for its direct holdings in company shares.

5 Governance

The S&I Steering Committee supports and advises the investment teams on developing their investment approach in accordance with the Policy. The Management Committee appoints the voting members of the S&I Steering Committee, which include the CEO, the Head Sustainable Business Strategy and at least one additional senior representative across the investment teams, including one of the Co-Heads of Kieger's Health Care investment team. Other members, including external advisors, are regularly invited to participate. The S&I Steering Committee will hold quarterly meetings.

6 Industry affiliations

Kieger is a signatory of the UN Principles for Responsible Investment (PRI) and the Net Zero Asset Managers Initiative (NZAM). Kieger is a member of Swiss Sustainable Finance and the Global Impact Investing Network (GIIN). At times, Kieger may be part of other industry associations and initiatives.

7 Kieger's sustainability journey

Kieger is also taking steps towards becoming increasingly sustainable as an organisation. In this regard, Kieger is on a journey to introduce sustainability measures related to its operations, focusing on the health and safety of employees, reducing its environmental footprint and promoting corporate citizenship.

8 Final provisions

This Policy remains valid until withdrawn by the Board of Directors of Kieger.

This Policy was issued by the Management Committee of Kieger and approved by the Board of Directors of Kieger on **March 1st, 2023**.

Kieger AG

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