

# ESG: Strategy and implementation



## Integrated in our daily activities

Our philosophy determines our daily actions. We act **independently, investor-oriented and practical**. Our primary goal is to generate the best possible, risk-adjusted investment return and thus fulfill the interests of our investors. To this end, we incorporate financially relevant sustainability factors into our decision-making processes. Robust governance rounds out our approach.

The ESG strategy is embedded at all levels of IST and is implemented for the company and each individual investment group. The strategic direction is set by the Board of Trustees in an appropriate framework document and implemented by management.

As a **not-for-profit company**, we continuously review our fee structure for the benefit of our investors and offer our investment solutions as cost-effectively as possible. IST operates as a portfolio manager of its own investment groups and as a provider of a platform for externally managed investment products. This specificity is taken into account in a differentiated manner with regard to ESG.

As part of good governance, we are transparent in our reporting at company and product level.

## From vision to strategy

Our sustainability strategy and investment beliefs are the direct result of IST's mission statement and business strategy. With its strategic orientation, IST specifically strives for organic and qualitative growth for the benefit of its investors. In doing so, it leverages its strong independent market position, its modern and cost-effective infrastructure as well as its extensive network with pension funds and financial service providers.

MISSION STATEMENT	<b>Vision:</b> We are the preferred partner for first-class and innovative investment solutions.
	<b>Mission:</b> By means of first-class and innovative investment solutions, we contribute to the sustainable and long-term safeguarding of occupational retirement provision.
	<b>Values:</b> Independence, competence, commitment, integrity
INVESTMENT-CONVICTION	We stand for adherence to good governance and the inclusion of sustainability criteria to achieve investment objectives. We hold on to broad standard benchmarks and additionally integrate our ESG approach.
SUSTAINABILITY-PRINCIPLES	<ul style="list-style-type: none"> <li>• Integration in investment processes</li> <li>• Dialog: Engagement prioritized over exclusions</li> <li>• Representation of investor interests</li> <li>• Transparency in reporting</li> </ul>
SUSTAINABILITY STRATEGY	<ul style="list-style-type: none"> <li>• Part of the business strategy</li> <li>• Set out in the ESG framework document</li> <li>• Active, forward-looking and aligned with market standards, implementation at company and investment group level</li> </ul>

## Implementation of sustainability at IST level

At the foundation level, specific account is taken of the individual sustainability factors:

### Environment

- Climate strategy including measurement of the CO<sub>2</sub> footprint
- Waste and energy management
- Minimization of business travel

### Social

- Sustainable human resources policy
- Safety and health in the workplace
- Promoting diversity and equal opportunities

- Data security and privacy

### Governance

- Corporate ethics and equal treatment of investors
- Independence of the Board of Trustees and its committees
- Non-profit orientation of IST and contemporary compensation policy
- Robust risk management

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## Application of ESG at product level

### Mandating external managers

IST is committed to a best-in-class approach to manager selection and monitoring. Only managers who are signatories to the UNPRI Principles or alternatively apply a credible ESG approach are mandated. Our operational due diligence ensures the periodic review of ESG frameworks and the implementation of the approaches embodied therein in the investment process.

### ESG approaches in the investment groups

Depending on the investment strategy, the specific investments as well as the investment style (active, passive), different ESG approaches are applied.

### Exclusions

External managers are required to apply the IST exclusion list. This may be

supplemented by their own more extensive exclusions.

### Engagement

IST conducts its engagement activities in collaboration with Sustainalytics. Two strategies are followed:

- Material Risk Engagement: risk-based approach in which dialogue is sought with companies with high ESG risk ratings according to Sustainalytics' methodology, improvements are proposed and their implementation is monitored.
- Thematic engagement: IST supports the Sustainable Forests and Finance initiative. The aim is to convince producers (palm oil, soy, meat) in rainforest regions, intermediaries and the banks that finance these activities of sustainable management through dialogue.

### Exercise of voting rights

IST exercises the voting rights for Swiss shares directly. For foreign shares, the external managers exercise the voting rights, taking into account the recommendations of their respective advisors.

### ESG integration

Especially in the actively managed investment groups, the portfolio manager applies the ESG approach „ESG Integration“. Material ESG risks are assessed and taken into account as part of the financial analysis.

### Best-in-Class

Especially in the actively managed investment groups, the portfolio manager applies the ESG approach „Best-in-Class“.

### Impact investing

With IST3 PRIVATE EQUITY 3 IMPACT EUR, IST launches its first product with the goal of sustainable impact.

### Composition exclusion list

<b>SVVK-ASIR</b>	– Nuclear weapons – Cluster munitions and anti-personnel mines
<b>THEMES / SECTORS</b>	– Coal mining and power generation (sales > 25 %)
<b>COUNTRIES</b>	– UN Security Council Arms Embargo – OFAC <sup>1</sup>
<b>ENGAGEMENT</b>	– Exclusions of uncooperative companies – Violation of standards

<sup>1</sup> OFAC: The US Treasury Department's Office of Foreign Assets Control ("OFAC") administers and enforces economic and trade sanctions based on US foreign policy and national security objectives against certain foreign countries and regimes, terrorists, international narcotics traffickers, persons engaged in activities related to the proliferation of weapons of mass destruction, and other threats to US national security, foreign policy or the economy.  
Source: <https://home.treasury.gov>

## Transparent reporting

Reporting on the inclusion of sustainability factors is comprehensible and detailed at the actual level at IST and for the individual investment groups.

### Corporate level

- Annual sustainability report
- Annual engagement report
- Consolidated and investment group-specific reports on the exercise of voting rights for Swiss and foreign shares.

### Investment groups

- ESG factsheets summarize on two

pages the respective approaches applied in the portfolio as well as information on the strategy of the responsible portfolio manager

- Standardized sustainability reports from MSCI for the traditional investment groups including the corresponding rating and relevant key figures (e.g. CO<sub>2</sub> intensity) of the portfolio.
- Supplementary key figures from MSCI and related reports from the external managers can be provided upon request.

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