



Looking ahead with confidence

2023 Sustainability Report

AVENA

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Message

from the Chair of the Pension Board

You are reading AVENA's first sustainability report, which is a snapshot – taken in late 2023 – of a process that began much earlier, reflecting the long-term vision that is fundamental to our Fund's mission and indeed the very existence of occupational pensions. Your trust is a top priority for us, and we aim to maintain that trust by managing the Fund's assets and addressing sustainability issues in a transparent and effective way.

Our operating environment is changing, and we are changing with it. Sustainability data is now crucial, and reporting standards have been introduced in Switzerland to make such data easier for all stakeholders to access. This document sets out how and why environmental, social, and governance (ESG) criteria guide our discussions and the management of your pension assets.

We thought it was important to begin this report by explaining the framework in which AVENA operates, its governance – for which our Board is currently responsible – and the external bodies and partners the Fund relies on to comply with Swiss occupational pension law and the provisions of our articles of association and Fund regulations.

Next, we describe the strategy agreed upon with our asset manager. That strategy incorporates sustainability according to a specific set of principles, although these will certainly need to evolve as the field of sustainability itself changes. Finally, we present the ESG indicators provided by independent assessors.

The sustainability efforts described in this report address issues that affect you and will affect the Fund members of tomorrow. AVENA must respond effectively to your needs and those of future generations. Accordingly, we are changing the way we work – starting with how you interact with our Fund and access information about your pension assets and personal situation. Thanks to our ongoing digitalization efforts, our teams can focus on delivering added value for all our members, both employers and employees.

I hope you enjoy reading the report.

Catherine Vogt



Introduction

The importance of sustainability

The purpose of AVENA Fondation BCV 2e pilier is to organize and provide occupational pension plans for businesses, companies, and self-employed people so that they can protect themselves and their staff against the economic consequences of old age, disability, and death.

In accordance with its mission and fiduciary duty, the Fund invests its assets in line with the following principles:

- > Long-term returns and vision: we aim to ensure that assets are managed effectively.
- > ESG integration: we proactively take into account risks and opportunities associated with environmental, social, and governance (ESG) criteria.
- > Transparency and effectiveness: we engage and build trust with Fund members and member companies over the long term by managing the Fund's assets and addressing sustainability topics in a transparent and effective way.

How the Fund is organized

| Pension Board

The Pension Board is the Fund's governing body. It consists of six employer representatives and six employee representatives, all of whom are members of the Fund. All representatives are elected for a four-year term. If any representative's membership in the Fund ends, they must leave the Pension Board.

The Pension Board has the following standing committees: the Real Estate Committee, the Investment Committee, the Governance Committee, the Audit Committee, and the Marketing and Communications Committee. Most committees meet four times per year, in the run-up to the four Pension Board meetings.

The Pension Board oversees activities that are delegated to the Fund's partners and ensures that there are no conflicts of interest.

| Administrative manager

The administrative manager is in charge of the Fund's operational management; it organizes, directs, and provides administrative, technical, and accounting services for the Fund.

The administrative manager reports to the Pension Board on its work at each Board meeting, coordinates the activities of the Fund's bodies and partner companies, and handles communication with the authorities.

The Fund has entrusted all its administrative management to Banque Cantonale Vaudoise.

| Accredited pension actuary

The accredited pension actuary is responsible for determining the provisions required to cover actuarial risks. They also periodically examine, in accordance with Article 52e of the Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (LPP), whether the Fund offers the assurance that it can fulfill its obligations and whether the actuarial aspects of its regulations regarding benefits and funding comply with legal requirements.

| Asset manager

The Pension Board delegates asset management to third parties. The Fund's main asset manager is Banque Cantonale Vaudoise. The Pension Board has also entrusted part of its assets to J.P. Morgan for infrastructure investments, to Renaissance for private equity investments, and to UBS for international real-estate investments.

Investments are managed according to the following strategic allocation:

	Strategic allocation	Permitted range	
		min.	max.
Cash and cash equivalents	2.50%	0.00%	10.00%
Swiss bonds	20.00%	11.00%	29.00%
Non-CHF government bonds (hedged)	10.00%	5.00%	15.00%
Non-CHF corporate bonds (hedged)	4.00%	2.00%	6.00%
Non-CHF emerging-market bonds (hedged)	2.00%	0.00%	4.00%
Swiss equities	12.00%	8.00%	16.00%
International equities	10.00%	7.00%	13.00%
International equities (hedged)	4.00%	3.00%	5.00%
Emerging-market equities	3.00%	1.00%	5.00%
Private equity	2.00%	0.00%	4.00%
Hedge funds (hedged)	6.00%	3.00%	9.00%
Commodities (hedged)	2.50%	0.00%	5.00%
Infrastructure	2.00%	0.00%	4.00%
Listed Swiss real estate	15.00%	8.00%	22.00%
Unlisted Swiss real estate	3.00%	1.00%	5.00%
International real estate (hedged)	2.00%	0.00%	3.00%
	100.00%		

| Auditor

The auditor assesses whether the annual financial statements, taken as a whole, are free of material misstatement, and prepares a report on its findings.

The auditor checks whether:

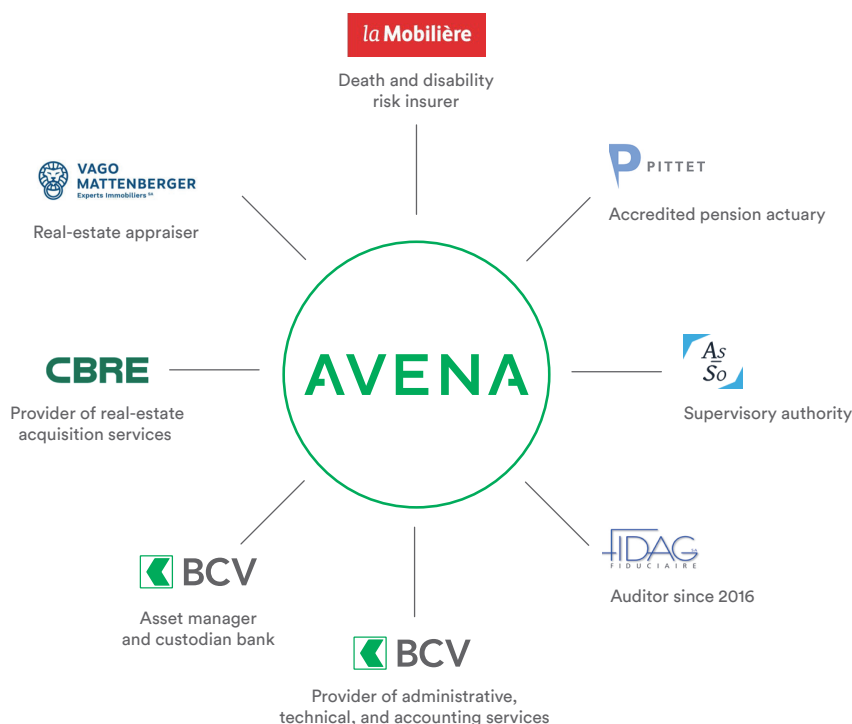
- > the Fund's organization, management, and investments comply with the provisions of the law and the Fund's regulations
- > the retirement accounts comply with the provisions of the LPP
- > measures have been taken to ensure loyalty in asset management and whether the Board has ensured to a sufficient degree that the duty of loyalty is fulfilled and interests are disclosed
- > non-committed funds and surplus profits from insurance contracts are used in accordance with the provisions of the law and the Fund's regulations
- > all notices and communications required by law have been duly made to the pension fund supervisory authority
- > the Fund's interests are safeguarded in legal transactions with related entities.

The auditor certifies that the provisions of the law, and of the Fund's regulations and articles of association, have been complied with.

The Fund's auditor is FIDAG SA, based in Martigny.

| Other partners

All of the Fund's partners, including in relation to reinsurance and real estate management, are shown in the chart below.



Sustainability strategy

History

In 2011, the Fund adopted a policy of voting at the AGMs of investee companies in line with the voting recommendations of Ethos. However, all of Ethos's voting recommendations are reviewed by the members of the Pension Board.

Since 2020, AVENA has also taken part in the PACTA climate compatibility test, which aims to measure how far the Swiss financial market has progressed in terms of alignment with the Paris Agreement targets.

Since 2021, AVENA has been a member of the Ethos Foundation and taken part in Ethos's Swiss and international engagement pools.

In 2022, the Pension Board decided to have AVENA's portfolio assessed on sustainability issues by independent experts. Specialist firm Conser subsequently produced an ESG report on the Fund's investments based on the financial statements at 30 June 2023. This first analysis only covered equities and bonds, which make up around two thirds of the portfolio. As regards directly owned buildings, real-estate specialist Signa-Terre carried out an energy review at 31 December 2023.

To better prepare for the future, and in agreement with its asset manager, AVENA's Pension Board has taken steps to adopt responsible investment practices by working with its asset manager's specialists in socially responsible investing (SRI). The topic was first addressed at a training session undertaken by the Pension Board in 2021, which was attended by several experts in the field. As a result, SRI was adopted as the Pension Board's priority topic for its four-year term of office ending in 2023. During that term of office, the Board explored several possibilities for strategic action. It has since implemented a gradually expanding range of measures, and the scope of the asset classes involved has become broader.

AVENA is currently preparing a responsible investment charter.

The Fund is investing in an infrastructure program that includes social objectives (development of renewable energy production, bridges, hospitals, etc.) and has reduced its exposure to commodities.

AVENA's own buildings are relatively modern overall. In 2022, construction was completed on two eco-friendly buildings in Tolochenaz, both of which are Minergie-certified and equipped with solar panels and EV charging stations. In 2023, AVENA acquired a new building that is also Minergie-certified and houses a nursing home, a project that forms part of the Pension Board's vision of social responsibility and sustainability.

Principles

AVENA's investment guidelines are as follows:

To ensure that AVENA's investment policy is consistent with its fiduciary duty and ESG requirements, so that assets are managed in a way that delivers good returns while keeping risks under control.

| Investments in securities

For its investments in securities, the Fund's strategy is based on shareholder dialogue and the gradual integration of ESG criteria.

Shareholder engagement

AVENA is committed to shareholder engagement, which corresponds with the Fund's philosophy of cautious, engaged investment. The Fund also recognizes the importance of being an active shareholder in order to encourage investee companies to adopt best practices.

As an active shareholder, the Fund conducts its engagement activities at several levels:

- > With regard to the shares that it holds directly in Swiss companies, it always exercises its voting rights and does so in accordance with its guidelines on governance and sustainability.
- > It encourages external asset managers to adopt an active shareholder policy that incorporates ESG criteria, and to report on the steps they take and the results they achieve in this area.
- > It takes part in Swiss and international shareholder engagement pools.

ESG integration

ESG criteria must be taken into account by the asset managers selected by the Fund and must be incorporated into the investment analysis and portfolio management process. The aim is to:

- > enhance risk management
- > identify SRI-related investment opportunities
- > improve returns over time.

Negative screening

Negative screening must be applied in a targeted way with the aim of avoiding financial and reputational risk and excluding activities that go against our values.

The Fund excludes investments in three ways:

a. Sector exclusions

- > The Fund excludes investments in sectors listed by the Swiss Association for Responsible Investments (SVVK-ASIR; <https://svvk-asir.ch/en>).
- > Controversial weapons: Companies involved in any way with cluster munitions, landmines, biological or chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, or non-detectable fragments (zero tolerance).
- > Adult entertainment: Companies involved in any way with the production and publication of adult entertainment in the following categories: X-rated films, pay-per-view programs or channels, sexually explicit video games, books or magazines with adult content, live shows of an adult nature, and adult-only online content (zero tolerance).
- > Thermal coal: Companies that generate at least 15% of their declared or estimated revenue from the extraction and sale to external parties of thermal coal (including lignite, bitumen, anthracite, and steam coal) or from coal-fired power generation.

- > Unconventional fossil fuels: Companies that generate at least 15% of their declared or estimated revenue from unconventional fossil fuels, i.e., oil sands, oil shale (kerogen-rich deposits), shale gas, tight oil, coal-bed methane, or from oil or gas extraction north of the Arctic Circle (approximately 66.5° North).
- > Tobacco: Companies that generate at least 15% of their revenue from business activities related to tobacco (supply, production, distribution, retail sale, and licensing of tobacco-related products).

b. Norms-based screening

- > Violations of the United Nations Global Compact: Companies that have committed violations of the United Nations Global Compact (zero tolerance). If non-financial data providers reach differing conclusions on this matter, the asset managers selected by the Fund must explain the internal process used to make their screening decision.

c. Other exclusions

- > The Fund prohibits investing in the sovereign debt of countries against which Switzerland has imposed a complete embargo on military equipment and materials that could be used for internal repression, owing to a violation of international law (based on SVVK-ASIR's list of countries that it recommends excluding).

| Real-estate investments

The Fund applies the same principles to its real-estate investments.

Direct investments

As regards directly held real estate and in accordance with its requirements regarding returns, the Fund has adopted a strategy of progressively introducing energy-saving measures and reducing the use of fossil fuels, and aims to provide housing that meets the general needs of the population as effectively as possible. It pays particular attention to the balance between energy efficiency and the availability of affordable housing. To that end, the Fund invests in the construction or refurbishment of housing units of varying sizes, at prices that correspond to those of a balanced market. The Fund also favors the use of sustainable materials.

Indirect investments

All indirect real-estate investments are analyzed as described in the “ESG integration” section under “Investments in securities.”

Changes over time

These responsible investment principles are in no way set in stone and will be reviewed at regular intervals as the available data and investment opportunities change over time. Similarly, in specific cases and depending on discussions with asset managers, exceptions to the principles may be made with the approval of the Pension Board.

Approaches used

Implementation in investments

The Fund's various asset managers are in charge of implementing the responsible investment principles. The Fund takes a pragmatic, gradual approach that responds to market opportunities.

In terms of monitoring and assessment, the portfolio is reviewed regularly to check that it is in compliance with the principles. The Fund's Investment Committee and Real Estate Committee monitor the portfolio and provide regular progress updates.

Initiatives not relating to investments

| Environmental

The Fund aims to conduct its non-investment activities in a sustainable way. In particular, it reduces the amount of printed materials it produces to a minimum by providing members with a secure web portal.

| Social

Since 2022, AVENA has held annual information evenings, both online and in person, which give members a unique opportunity to get updates and ask questions directly. These events help us forge closer ties with our members and better understand their needs and concerns, as well as raise their awareness of various aspects of their occupational pensions.

The Pension Board has also decided to maintain different conversion rates for men and women. There are several reasons for this. Firstly, in actuarial terms, a woman's pension is less costly than a man's: the actuarial tables take into account the risks of death and disability, but also the risk of divorce, the possibility of remarriage, etc., and therefore factor in the life expectancy of not only the member but also the member's partner. Although this represents an advantage for women, it should be considered in the context of the gap between men's and women's total pensions in Switzerland, which is largely explained by women's career paths.

| Governance

The Pension Board is made up of twelve members: six employee representatives and six employer representatives. In each four-year term of office, the Chair is selected alternately from among the employee representatives and employer representatives. The Vice Chair represents the other category of members.

Board elections took place in 2023. All members of pension committees were invited to vote either for employee representatives or employer representatives, depending on their own status. On 21 September 2023, the votes were counted in the presence of a notary to determine the Pension Board's members for the 2024–2028 period.



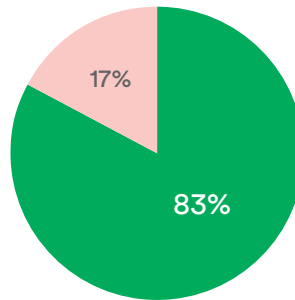
ESG indicators

Active ownership

| Exercise of voting rights

The Fund is represented by Ethos and exercises its voting rights with respect to directly held securities, i.e. Swiss equities. In 2023, the Fund voted as follows:

■ For (83%)
 ■ Against (17%)
 Abstained (0%)



| Engagement (shareholder dialogue)

The Fund is a member of the following initiatives: Ethos – Engagement Pool Switzerland and Ethos – Engagement Pool International.

ESG indicators for equities and bonds

The data relates to the ESG report on equity and bond holdings, which make up 69.4% of the portfolio for the main asset management agreement.

| Equities and corporate bonds

a. Greenhouse gas emissions

- > intensity for scopes 1 and 2: 72.4 t CO₂e / CHF million
- > intensity for scope 3: 1,163.5 t CO₂e / CHF million
- > carbon footprint for scopes 1 and 2: 41.9 t CO₂e / CHF million
- > carbon footprint for scope 3: 264.5 t CO₂e / CHF million

b. Implied temperature rise: 2.0°C (according to the MSCI methodology)

Portfolio



Implied Temperature Rise Categories		% of companies in category
■	1.5°C Aligned <= 1.5°C	17.8%
■	2°C Aligned > 1.5°C - 2°C	44.4%
■	Misaligned > 2.0°C - 3.2°C	33.3%
■	Strongly Misaligned > 3.2°C	4.4%

c. Exposure to fossil fuels: proportion of investments in companies whose activities are related to

- > coal: 0.1%
- > other fossil fuels (oil and gas): 1.9%

| Government bonds

a. Greenhouse gas emissions

- > intensity: 328.2 t CO₂ / CHF million of nominal GDP

Swiss indirect real estate: Scope 1

(40 out of 133 issuers provide energy data)

a. Energy intensity:

- > 106.7 kWh/m² of energy reference area

b. Carbon intensity:

- > 16.7 kg CO₂/m² of energy reference area

Swiss direct real estate: Scope 1

(For five out of seven buildings - the remaining two were acquired too recently)

- > Energy intensity: 136.46 kWh/m² of energy reference area
- > Carbon intensity scope 1: 23.53kg CO₂/m² of energy reference area
Scope 2 and 3: 3.30kg CO₂/m² of energy reference area
- > Energy mix: 92.9% gas, 3.8% wood pellets, 3.4% electricity (for communal areas)

Conclusion

The Pension Board will update this report and AVENA's ESG indicators on an ongoing basis.

Quantitative indicators will be updated every year with data as at 31 December, and the report will be reviewed and supplemented in line with changes in the available data.

The Pension Board will also ensure that responsible investment principles are complied with as far as is reasonably possible, and that they are adjusted in line with changes in the Fund and investment opportunities.





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