

European SRI Transparency Code for Swisscanto Invest Sustainable Funds

The European Transparency Code applies to sustainability funds admitted for trading in Europe and covers many asset classes, such as equities and bonds. All the information on the European Transparency Code can be found at www.eurosif.org and, for Germany, Austria and Switzerland, at www.forum-ng.org. The Code supplements an accompanying document that assists fund managers when completing the Transparency Code. The current version of the Code was approved by the Eurosif Board on **19 February 2018**.

Changes

In 2017, the Code was revised to better reflect the current developments on the European market for sustainable investments. The Transparency Code was updated by a working group according to the latest developments of the industry at European and international level.

Signatories of the Code now consider the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Regulation and the final report by the High-Level Group of Experts on Sustainable Finance (HLEG). Questions directly based on previously named laws and recommendations are marked by footnotes in the Code.

The Code is based on two underlying motives

1. The ability to make the sustainability approach of sustainable public funds available to investors and other stakeholders in a straightforward, easy-to-compare manner.
2. To proactively strengthen initiatives that contribute to the development and promotion of sustainability funds by creating a common framework for best practice in the area of transparency.

Guiding principles

Signatories to the Code should be open and honest and disclose exact, appropriate and up-to-date information in order to enable stakeholders, the public and in particular investors to understand the ESG¹ strategy of a fund and its implementation.

¹ ESG stands for environmental, social and governance.

Signatories to the Transparency Code are obligated to comply with the following principles:

- The order and exact wording of the questions should be observed.
- Responses should be informative and clearly worded. In principle, the required information (instruments and methods) should be described in as much detail as possible.
- Funds should provide the data in the currency that they also use for other reporting purposes.
- Reasons that prevent information from being provided must be explained. The signatories should systematically explain whether and by when they hope to be able to answer the questions.
- Responses must be updated at least once per year and bear the date of the most recent update.
- The completed Transparency Code and its responses must be easily accessible on the website of the fund, fund management company or fund manager. In all cases, signatories must state where the information required by the Code can be found.
- The signatories are responsible for the responses and they should also make this clear.

Statement by Zürcher Kantonalbank

Zürcher Kantonalbank acts as asset manager for the funds of the Swisscanto Invest product range. The fund manager of the Swisscanto Invest product range is Swisscanto Fund Management Company Ltd. (for funds domiciled in Switzerland) or Swisscanto Asset Management International S.A. (for funds domiciled in Luxembourg).

Sustainable investments are an essential part of the approach of Zürcher Kantonalbank and the strategic positioning of the brand Swisscanto Invest. We have been offering sustainable investments since 1998 and welcome the European Transparency Code for sustainability funds.

This is our **tenth** statement of commitment to the Transparency Code. It covers the period from **1 December 2021 to 30 November 2022**. Our full statement on the European SRI Transparency Code for Sustainable Funds is quoted below and will also be published in the annual report of the funds concerned and on our website.

Agreement to the European Transparency Code

Zürcher Kantonalbank undertakes to ensure transparency. We are convinced that we guarantee the highest possible level of transparency under the existing regulatory conditions and from the perspective of competitiveness.

Date 30 November 2021

Eurosif definition of various sustainable investment strategies²

Sustainable thematic funds: Investments in themes or assets that concern the promotion of sustainability and have a relation to ESG criteria.

Best-in-class: Investment strategy according to which the best companies – based on ESG criteria – within an industry, category or class are selected.

Norms-based screening: Screening of investments for their conformity with certain international standards or regulations, such as the Global Compact, the OECD Guidelines for Multinational Enterprises or the ILO core labour standards.

Exclusions: This approach systematically excludes certain investments or investment classes such as companies, industries or countries from the investment universe if they violate specific criteria.

ESG integration: The explicit inclusion of ESG criteria or risks in traditional financial analysis.

Engagement and the exercise of voting rights: Long-term dialogue with companies and the exercise of voting rights at shareholders' meetings in order to influence the company policy with respect to ESG criteria.

Impact investment: Investments in companies, organisations or funds with the aim of exerting an influence on social and ecological issues in addition to financial earnings.

² Sustainable and responsible investments ("Sustainable" and "Responsible", SRI) are investment strategies that include or take into account ESG strategies and criteria in research, analysis and the selection process for the investment portfolio. They combine traditional financial analysis and engagement/activities with an assessment of ESG factors. The aim is to secure long-term returns for investors and create a societal benefit as companies act more sustainably. Ref. Eurosif 2016

FNG definition: Sustainable investment is the general term for sustainable, responsible, ethical, social and ecological investment and all other investment processes that include the effect of ESG (environment, social and governance) criteria in their financial analysis. It also includes an explicit investment policy set down in writing specifying the use of ESG criteria.

Content of the Transparency Code – or Code Categories

1. List of funds covered by the Code
2. General information on the fund company
3. General information on the SRI funds for which the Code is completed
4. The investment process
5. ESG monitoring
6. Impact assessment and ESG reporting

1. List of funds covered by the Code

Name of the fund(s):

Swisssanto (CH) Equity Fund Sustainable Switzerland (1)
 Swisssanto (CH) Equity Fund Sustainable (2)
 Swisssanto (CH) Equity Fund Sustainable International (3)
 Swisssanto (CH) IPF II Equity Fund Sustainable (4)
 Swisssanto (LU) Equity Fund Sustainable Europe (5)
 Swisssanto (CH) Equity Fund Sustainable Emerging Markets (6)
 Swisssanto (LU) Equity Fund Sustainable (7)*
 Swisssanto (LU) Equity Fund Sustainable Emerging Markets (8)*
 Swisssanto (LU) Equity Fund Sustainable Global Climate (9)
 Swisssanto (LU) Equity Fund Sustainable Global Water (10)
 Swisssanto (LU) Portfolio Fund Sustainable Balance (CHF) (11)
 Swisssanto (LU) Portfolio Fund Sustainable Select (CHF) (12)
 Swisssanto (LU) Portfolio Fund Sustainable Ambition (CHF) (13)
 Swisssanto (LU) Portfolio Fund Sustainable Balanced (EUR) (14)*
 Swisssanto (LU) Portfolio Fund Sustainable Protection (15)

The core investment strategy (please select no more than two strategies)	Asset classes	Exclusions, standards and regulations	Fund capital as at 30 June 2021 in CHF million	Other labels	Links to relevant documents
<input checked="" type="checkbox"/> Best-in-class <input type="checkbox"/> Engagement and exercise of voting rights <input type="checkbox"/> ESG integration <input type="checkbox"/> Exclusions <input type="checkbox"/> Impact investment <input type="checkbox"/> Norms-based screening <input type="checkbox"/> Leads to exclusions <input type="checkbox"/> Leads to risk management analyses/engagement <input checked="" type="checkbox"/> Sustainable thematic funds	Passively managed <input type="checkbox"/> Passive investing – main benchmark: Specify the index tracking <input type="checkbox"/> Passive investing – ESG/SRI benchmark: Specify the index tracking Actively managed <input checked="" type="checkbox"/> Equities in the euro currency region <input checked="" type="checkbox"/> Equities in a EU country <input checked="" type="checkbox"/> International equities <input checked="" type="checkbox"/> Bonds and other debt securities in euros <input checked="" type="checkbox"/> International bonds and other debt securities <input checked="" type="checkbox"/> Money market/bank deposits <input checked="" type="checkbox"/> Money market/bank deposits (short term) <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input checked="" type="checkbox"/> Alcohol <input checked="" type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Weapons <input checked="" type="checkbox"/> Nuclear power <input checked="" type="checkbox"/> Human rights violations <input checked="" type="checkbox"/> Labour rights violations <input checked="" type="checkbox"/> Gambling <input checked="" type="checkbox"/> Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input checked="" type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Deforestation <input checked="" type="checkbox"/> Coal <input checked="" type="checkbox"/> Genetic engineering <input checked="" type="checkbox"/> Further exclusions (please specify) cf. 3.3.5 <input checked="" type="checkbox"/> Global Compact <input type="checkbox"/> OECD Guidelines for Multinational Enterprises <input type="checkbox"/> ILO core labour standards <input type="checkbox"/> Further standards (please specify)	(1) 559 Mio. (2) 246 Mio. (3) 645 Mio. (4) 323 Mio. (5) n.v. ³ (6) 182 Mio. (7) 882 Mio. (8) 199 Mio. (9) 74 Mio. (10) 293 Mio. (11) 177 Mio. (12) n.v. ⁴ (13) n.v. ⁴ (14) 1377 Mio. (15) 27 Mio.	<input type="checkbox"/> French SRI label <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Luxflag label <input type="checkbox"/> FNG label <input checked="" type="checkbox"/> Austrian ecolabel (marked with"*) <input type="checkbox"/> Further labels (please specify)	- KIID - Prospectuses - Management report - Financial and non-financial reporting - Company presentation - Other (please specify) https://products.swisssanto.com/products/disclaimer?lang=en https://www.swisssanto.com/ch/en/is/dsc-handling-investments/publications-downloads.html

³ Launch as of 13/12/2021

⁴ Launch at the beginning of 2022

Name of the fund(s):

Swisscanto (CH) Bond Fund Sustainable Global Aggregate (16)

Swisscanto (CH) Bond Fund Sustainable CHF (17)

Swisscanto (LU) Bond Fund Sustainable Global Credit (18)

The core investment strategy (please select no more than two strategies)	Asset classes	Exclusions, standards and regulations	Fund capital as at 30 June 2021 in CHF million	Other labels	Links to relevant documents
<input checked="" type="checkbox"/> Best-in-class <input type="checkbox"/> Engagement and exercise of voting rights <input type="checkbox"/> ESG integration <input type="checkbox"/> Exclusions <input type="checkbox"/> Impact investment <input type="checkbox"/> Norms-based screening <input type="checkbox"/> Leads to exclusions <input type="checkbox"/> Leads to risk management analyses/engagement <input checked="" type="checkbox"/> Sustainable thematic funds	<p>Passively managed</p> <input type="checkbox"/> Passive investing – main benchmark: Specify the index tracking <input type="checkbox"/> Passive investing – ESG/SRI benchmark: Specify the index tracking <p>Actively managed</p> <input type="checkbox"/> Equities in the euro currency region <input type="checkbox"/> Equities in a EU country <input type="checkbox"/> International equities <input checked="" type="checkbox"/> Bonds and other debt securities in euros <input checked="" type="checkbox"/> International bonds and other debt securities <input checked="" type="checkbox"/> Money market/bank deposits <input checked="" type="checkbox"/> Money market/bank deposits (short term) <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input checked="" type="checkbox"/> Alcohol <input checked="" type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Weapons <input checked="" type="checkbox"/> Nuclear power <input checked="" type="checkbox"/> Human rights violations <input checked="" type="checkbox"/> Labour rights violations <input checked="" type="checkbox"/> Gambling <input checked="" type="checkbox"/> Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input checked="" type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Deforestation <input checked="" type="checkbox"/> Coal <input checked="" type="checkbox"/> Genetic engineering <input checked="" type="checkbox"/> Further exclusions (please specify) cf. 3.3.5 <input checked="" type="checkbox"/> Global Compact <input type="checkbox"/> OECD Guidelines for Multinational Enterprises <input type="checkbox"/> ILO core labour standards <input type="checkbox"/> Further standards (please specify)	(16) 405 Mio. (17) 1420 Mio. (18) 178 Mio.	<input type="checkbox"/> French SRI label <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Luxflag label <input type="checkbox"/> FNG label <input type="checkbox"/> Austrian ecolabel <input type="checkbox"/> Further labels (please specify)	- KIID - Prospectuses - Management report - Financial and non-financial reporting - Company presentation - Other (please specify) https://products.swisscanto.com/products/download?lang=en https://www.swisscanto.com/ch/en/is/dsc-handling-investments/publications-downloads.html

2. General information on the fund company

2.1. Provide the name of the fund management company managing the fund(s) to which this Code applies.

Fund management company for CH funds
Swisscanto Fund Management Company Ltd.
Bahnhofstrasse 9
8001 Zurich
<https://www.swisscanto.com/ch/en.html>

Fund management company for LU funds
Swisscanto Asset Management International S.A.
19, rue de Bitbourg
L-1273 Luxembourg
<https://www.swisscanto.com/ch/en.html>

Contact: Daniel Meyer, Product Management Sustainable Investments
daniel.meyer@zkb.ch

2.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

Track record of the then respective fund management of the Swisscanto Invest fund range or the current asset manager Zürcher Kantonalbank (ZKB)

- 1995 ZKB signs the UNEP FI declaration
- 1996 ZKB sustainability research is founded
- 1998 The first sustainability fund is launched (Green Invest)
- 2007 Various sustainable thematic and regional funds are launched (water, climate, emerging markets)
- 2009 ZKB signs the Principles for Responsible Investment (PRI)
- 2011 Sustainability indicator is launched for own funds and third-party funds
- 2013 Weapons manufacturers (of prohibited weapons) are excluded from all active equity and bond investments of ZKB Asset Management
- 2014 Start of ESG integration in the fundamental investment process for active equity investments (ZKB)
- 2015 Sustainability indicator is integrated into ZKB investment reporting
- 2015 UN PRI Montreal Pledge signed (ZKB)
- 2015 Fairtrade gold bars launched by ZKB in cooperation with the Max Havelaar Foundation (Switzerland)
- 2016 Swisscanto Invest joins the PRI Collaboration Platform
- 2018 ESG integration as part of active fixed-income investments with Swisscanto Invest
- 2018 Restructuring of all sustainable Swisscanto funds into two product lines (Responsible/Sustainable)
- 2018 Sustainable Swisscanto Invest regional funds are launched (Responsible product line)
- 2018 Swisscanto Invest supports TCFD (Task Force on Climate-related Financial Disclosure)

- 2020 In 2020, Zürcher Kantonalbank's asset management achieved a milestone in terms of the sustainability of Swisscanto Invest's investment business. All active collective investment schemes of traditional asset classes have been converted to the Responsible approach. In the case of active collective capital investments, this includes the focus of investment activities on a reduction target for the CO₂e intensity of investments, the systematic integration of ESG criteria, the exclusion of companies with business models assessed as critical by Swisscanto Invest (e.g. coal extraction or the manufacture of weapons and ammunition), active dialogue with the companies invested and the active exercise of voting rights.
- 2021 Establishment of a detailed Swisscanto Invest sustainability report. In addition to information on the portfolio's CO₂e intensity and any controversial business activities, this report also includes a newly developed proprietary sustainability rating. The rating is calculated according to the values of the collective assets and individual securities contained in the portfolio and is divided into seven sustainability classes ranging from A (highest level) to G (lowest level). The sustainability rating assesses companies and countries on the basis of the four pillars of our sustainability research: controversy score, ESG score, climate score and impact score.

Detailed information in this regard can be found on the Internet via the following links:

Swisscanto

<https://www.swisscanto.com/ch/en/po/swisscanto-invest/sustainability.html>

2.3. How does the company formalize its sustainable investment process?

Please provide the following links of the company:

- *Sustainable investment policy*

Sustainable investments are integrated into the sustainability strategy of Zürcher Kantonalbank. The key aspects of our sustainable investment policy are set out in Zürcher Kantonalbank's sustainability policy. Moreover, we signed the Principles for Responsible Investments (PRI) in 2009.

Extensive information is available via the following link:

Zürcher Kantonalbank

https://www.zkb.ch/media/dokumente/en/sustainability_policy.pdf

<https://www.zkb.ch/en/lg/ew/about-us/sustainability.html>

<https://www.unpri.org/signatories/zurcher-kantonalbank/1980.article>

Swisscanto Invest funds

<https://www.swisscanto.com/ch/en/po/swisscanto-invest/sustainability.html>

- *Principles of exercising voting rights for Swisscanto Invest funds*
<http://www.swisscanto.ch/voting>
- *Principles of engagement for Swisscanto Invest funds*⁵
<https://www.swisscanto.com/ch/en/po/companies/swisscanto-asset-management-international-sa.html>
=> Stewardship section
https://www.swisscanto.com/media/dok/3_ueber-uns/engagement-guidelines-en.pdf

2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?⁶

- In 2009, Zürcher Kantonalbank was one of the first full-service banks in Europe to sign the six United Nations' Principles for Responsible Investment (PRI). It thereby reiterates its conviction that the integration of environmental (E), social (S) and governance (G) themes in investment decisions and active shareholder relations according to risk and return aspects is constructive in asset management.
- ESG integration: ESG (environment, social and governance) criteria are an integral component of our active investment process. Their systematic integration enables us to identify the risks and opportunities relating to ESG trends at an early stage and create added value for our customers. ESG criteria complement a purely financial analysis and we are convinced that they ultimately lead to better investment decisions. This is why understanding ESG data and developing it further are at the heart of our strategic considerations.
- Swisscanto blacklist of weapons: In all of our assets under management – both active and passive – we use a blacklist that implements our sustainability standard based on the Swiss Association for Responsible Investments (SVVK-ASIR). These exclusion criteria predominantly eliminate manufacturers of prohibited weapons (e.g. anti-personnel mines, cluster munitions and nuclear weapons not permitted by the Nuclear Non-Proliferation Treaty). We reserve the right to exclude or not to exclude additional companies at our own discretion.
- In order to comply with the Paris Agreement and achieve global warming levels of below 2 degrees, global CO₂e⁷ emissions must fall by at least 4% each year from 1 January 2020. This is shown by the scientific data from the Intergovernmental Panel on Climate Change (IPCC). Here at Swisscanto Invest, our goal is to actively contribute to climate protection through our investments. Against a background of major structural change, we also want to protect our investors by optimally managing assets entrusted to us with regard to new

⁵ Reference to Article 173 of the French TECV Regulation and the recommendations of the HLEG on *investors' duties*

⁶ Reference to Article 173 of the French TECV Regulation and the TCFD recommendations (section on risks and opportunities)

⁷ CO₂ equivalents (CO₂e) are a unit of measurement to standardise the climate impact of the greenhouse gases carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and fluorinated greenhouse gases (CFCs). All of these gases remain in the atmosphere for different lengths of time and do not contribute equally to the greenhouse effect.

or emerging risks and opportunities. Our 2020 climate strategy is therefore focused on dialogue and capital allocation.

Dialogue: As shareholder and creditor, we engage in active dialogue with companies, challenging them to formulate and implement effective goals to reduce CO₂e emissions.

Capital allocation: Through capital allocation, we ensure that our active Responsible and Sustainable funds in the traditional asset classes have a decreasing carbon intensity that is compatible with the Paris Agreement. We therefore reduce CO₂e-intensive companies and states that do not have a strategy for reducing their CO₂e emissions in favour of CO₂e-efficient companies and states and those that pursue ambitious CO₂e reduction targets. We have been transparently reporting the CO₂e intensity of our investment funds since the end of 2020. The active Responsible & Sustainable funds in the traditional asset classes are in line with a 2 degree CO₂e reduction path. Numerous sustainable funds even comply with a 1.5 degree CO₂e reduction path.

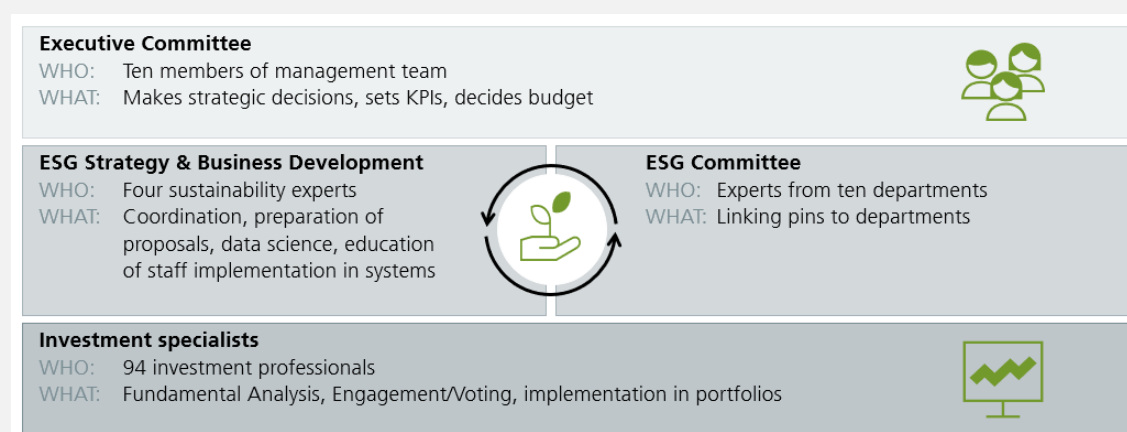
2.5. How many employees are directly involved in the company's sustainable investment activity?

The **ten-person management team**, chaired by the Head of Asset Management, is responsible for Swisscanto Invest's overall approach to sustainability. It makes strategic decisions and can set supporting key performance indicators (KPIs) and assume monitoring functions.

An independent ESG Strategy & Business Development Team from Swisscanto Invest is responsible for the overall coordination of sustainability across all asset classes. The **four team members** are responsible for the further development of Swisscanto Invest's sustainability strategy. They manage operational implementation within the objectives set by the management team and act as a link between the management team and the ESG Committee. The team is also responsible for Swisscanto Invest's sustainability data. Raw data from the main providers (ISS, EDGAR, MSCI ESG, RepRisk and Refinitiv) is compiled, analysed, refined and processed into proprietary ESG research, which serves as the basis for our investment processes. The team is also responsible for training staff on sustainability issues.

Our ESG Committee of **eleven sustainability experts** represents the various areas within asset management and other key business areas. The committee has an advisory role. Strategic proposals are examined for feasibility. The ESG Committee also ensures that relevant market developments and trends are recognised and addressed at an early stage. The members of the ESG Committee also play a central role in communication and coordination and support the ESG Strategy & Business Development Team in staff training.

We no longer make a distinction between traditional and sustainable investment professionals. With the help of the data, research and tools provided by the ESG Strategy & Business Development Team, the investment teams or the **around 94 investment specialists** (portfolio managers and analysts) themselves ensure that ESG integration is successful.



2.6. Is the company involved in any RI initiatives?

Zürcher Kantonalbank or Swisscanto Invest is involved in the following RI initiatives:

General initiatives	Environmental and climate initiatives	Social initiatives	Governance initiatives
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility <input type="checkbox"/> EFAMA RI WG <input type="checkbox"/> High-Level Expert Group on Sustainable Finance of the European Commission <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input type="checkbox"/> National Asset Manager Association (RI Group) <input checked="" type="checkbox"/> PRI - Principles for Responsible Investment <input checked="" type="checkbox"/> SIF – Sustainable Investment Forum (Swiss Sustainable Finance -> SSF Forum Nachhaltige Geldanlagen -> FNG) <input checked="" type="checkbox"/> Further initiatives (please specify) <ul style="list-style-type: none"> • EFFAS ESG Commission 	<input checked="" type="checkbox"/> CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.) <input checked="" type="checkbox"/> Climate Bond Initiative <input type="checkbox"/> Green Bond Principles <input type="checkbox"/> IIGCC – Institutional Investors Group on Climate Change <input checked="" type="checkbox"/> Montreal Carbon Pledge <input type="checkbox"/> Paris Pledge for Action <input type="checkbox"/> Portfolio Decarbonization Coalition <input checked="" type="checkbox"/> Further initiatives (please specify) <ul style="list-style-type: none"> • Task Force on Climate-related Financial Disclosures (TCFD) • Net Zero Asset Managers Initiative • PRI/Ceres - Investor Initiative for Sustainable Forests • PRI - Global Investor Statement to Governments on Climate Change • Investor Statement on the Need for Biodiversity Impact Metrics • FAIRR - Sustainable Aquaculture: Managing Biodiversity & Climate Risks in Feed Supply Chains 	<input checked="" type="checkbox"/> Access to Medicine Foundation <input type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input type="checkbox"/> Further initiatives (please specify) <ul style="list-style-type: none"> • UN Women's Empowerment Principles 	<input type="checkbox"/> ICGN – International Corporate Governance Network <input type="checkbox"/> Further initiatives (please specify)

Learn more about our RI initiatives and collaborative engagements:

https://www.swisscanto.com/media/dok/corporate/7_legal/kollaboratorisches-engagement-sami.pdf

2.7. What is the total number of SRI assets under the company's management?

Around CHF 97,6 billion

<https://www.zkb.ch/en/lg/ew/dsc-investor-relations/key-figures.html>

=> Key figures section => Key sustainability figures

3. General information on the SRI funds for which the Code is completed

3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

Sustainable equity funds:

- **Swisscanto (CH) Equity Fund Sustainable Switzerland**
- **Swisscanto (CH) Equity Fund Sustainable**
- **Swisscanto (CH) Equity Fund Sustainable International**
- **Swisscanto (CH) IPF II Equity Fund Sustainable**
- **Swisscanto (CH) Equity Fund Sustainable Emerging Markets**
- **Swisscanto (LU) Equity Fund Sustainable**
- **Swisscanto (LU) Equity Fund Sustainable Emerging Markets**
- **Swisscanto (LU) Equity Fund Sustainable Europe**
- **Swisscanto (LU) Equity Fund Sustainable Global Climate**
- **Swisscanto (LU) Equity Fund Sustainable Global Water**

The Sustainable equity funds invest worldwide in equities of companies whose products and services contribute to solving societal sustainability problems. This is a question of decoupling economic growth from the consumption of resources as well as promoting equal opportunities. The focus is on companies undergoing profitable growth in the long term thanks to their sustainable products or services and which have high entry barriers. The strict selection process also takes into account very extensive exclusion criteria. The funds are actively managed and stocks are selected on the basis of fundamental company analyses.

Sustainable bond funds:

- **Swisscanto (CH) Bond Fund Sustainable Global Aggregate**
- **Swisscanto (CH) Bond Fund Sustainable CHF**
- **Swisscanto (LU) Bond Fund Sustainable Global Credit**

The Sustainable bond funds combine our proven expertise in the area of fixed-income investments with a strict sustainability approach. In addition to comprehensive exclusion criteria, this also includes an analysis of the societal benefits of a company's products and services and ESG screening of issuers. Investors benefit from successful active management and can simultaneously make a contribution to sustainable development by means of forward-looking investments.

Mixed Sustainable funds:

- **Swisscanto (LU) Portfolio Fund Sustainable Select (CHF)**
- **Swisscanto (LU) Portfolio Fund Sustainable Balance (CHF)**
- **Swisscanto (LU) Portfolio Fund Sustainable Ambition (CHF)**
- **Swisscanto (LU) Portfolio Fund Sustainable Balanced (EUR)**
- **Swisscanto (LU) Portfolio Fund Sustainable Protection**

The mixed Sustainable funds invest worldwide in equities and debtors whose products and services make a positive contribution to sustainable development. This is a question of decoupling economic growth from the consumption of resources as well as promoting equal opportunities. The focus is on companies, for example, that are undergoing profitable growth in the long term thanks to their sustainable products or services and which have high entry barriers. The strict selection process also takes into account very extensive exclusion criteria. The funds are managed actively and along a structured investment process. The various asset classes are managed depending on their valuation and the state of the economic cycle.

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

Our internal research department has developed a proprietary sustainability analysis based on quantitative and qualitative sustainability data and information from the various external sustainability research agencies:

MSCI ESG Research: Qualitative and quantitative environmental, social and governance data for companies and states. This is used to calculate the ESG score, controversies and the sustainability rating.

www.msci.com/our-solutions/esg-investing

Refinitiv: Qualitative and quantitative environmental and social data for companies. This is used to calculate the ESG score and sustainability rating.

www.refinitiv.com

The Emissions Database for Global Atmospheric Research (EDGAR): CO₂e data for states. This is used for climate strategy and the sustainability rating.

[Emission Database for Global Atmospheric Research \(EDGAR\) — European Environment Agency \(europa.eu\)](http://Emission Database for Global Atmospheric Research (EDGAR) — European Environment Agency (europa.eu))

ISS ESG: CO₂e data for companies. This is used for climate strategy and the sustainability rating.

www.issgovernance.com/esg/climate-solutions/

RepRisk: Quantitative data points (environmental, social and governance reputational risks). These are used for the ESG score and sustainability rating.

www.reprisk.com/

In addition, the following sources of information are used:

- Corporate publications, studies as well as direct contact with companies.
- ESG information: Data, studies conducted by financial data providers, civil society organisations (NGOs), universities, think tanks such as the Global Footprint Network
- ESG research conducted by brokers
- Further information sources regarding ESG opportunities/risks: Via direct contact and meetings with companies or via Internet research, information provided by financial data providers, civil society organisations (NGOs), consumer protection organisations.

Proxy Voting: In the analysis and decision-making process for the voting procedures at general meetings, Swisscanto uses the assessments of the independent voting rights adviser ISS (Institutional Shareholder Services) and our investment specialists in Asset Management. The voting procedures are set out in detail at swisscanto.com/voting.

Engagement For Swiss companies, we take advantage of our strong position in our home market. Swisscanto equity holdings are regularly among the top 10/top 15 equity holdings of the constituents of the SMI, and our fund managers are in dialogue with around 150 to 200 Swiss companies.

Global and thematic engagements: In order to complement our global and thematic engagement activities, but primarily to communicate our strategy to reduce greenhouse gas emissions on a global level, we have engaged the external partner Sustainalytics, which acts as our external

engagement provider. Sustainalytics works on behalf of Swisscanto and other investors at more than 300 global companies per year on the topics of human rights and labour rights, environmental and business ethics as well as other relevant ESG matters (in line with our focus on direct dialogue).

External Sustainability Advisory Committee

The Investments Sustainability Advisory Committee of Zürcher Kantonalbank monitors our sustainable investment products and the integration of environmental, social and governance aspects in the investment processes. Renowned sustainability specialists from various disciplines are involved in product development and developing the research and investment processes. The members include:

- Paola Ghillani, owner of Paola Ghillani & Friends, business consulting with a focus on promoting and implementing sustainability and ethics in business, Zurich
- Prof. Dr Thomas Stocker, Professor of Climatic and Environmental Physics, University of Berne
- Prof. Dr Werner Aeschbach, Professor of Aquatic Systems, University of Heidelberg
- Prof. Dr. Falko Paetzold, Assistant Professor in Social Finance, EBS Universität Wiesbaden, Direktor Center for Sustainable Finance and Private Wealth (CSP), Universität Zürich

3.3. What ESG criteria are taken into account by the fund(s)?

The integration of ESG criteria into our investment decisions is an integral part of our active investment process and complements the financial analysis. The main instrument for our integration efforts are the four sustainability scores calculated by Swisscanto Invest:

- ESG score: How sustainably is the company or state managed?
- Climate Score: To what extent does the company or state have a negative impact on the environment in terms of CO₂e emissions?
- Controversy Score: To what extent do publicly controversial business areas, questionable business practices or violations of international standards exist?
- Impact score: What impact do a company's products and services have in terms of achieving the 17 UN Sustainable Development Goals or what impact does a state have on society and the environment in order to promote the achievement of the 17 UN goals?

3.3.1 Sustainable management (ESG Score)

We also take the classic ESG rating into account, but include the three additional scores in the overall assessment. For this purpose, we assess a comprehensive catalogue of criteria for the individual countries and companies. The focus is on the question of how sustainably the management runs the company or the government runs the state, whether procedures and processes are institutionalised and to what extent the activities are measured and optimised. The assessment covers three areas: environment (E), social (S) and corporate governance (G).

ESG score for companies: For companies, 12 indicators with a total of 45 sub-indicators and around 120 data points are included in the assessment. The environmental dimension (E) primarily covers whether a company engages in environmental management and whether it measures and discloses its ecological footprint. In the social dimension (S), the focus is on working conditions, diversity, employee health management and functioning stakeholder management. The governance dimension (G) examines and evaluates the principles of good corporate governance. The disclosure of sustainability reports, questions about the organisation and independence of the board of directors and its compensation as well as questions about shareholders' rights and the accounting standard are included here.

The data is generally disclosed by the companies themselves in accordance with international standards (Global Reporting Initiative, Carbon Disclosure Project, Sustainability Accounting Standards Board (SASB), International Integrated Reporting Council (IIRC) etc.) and obtained by us via independent third-party providers.

We work with proprietary ESG scores, which we calculate based on raw data from independent third parties. From the large number of indicators supplied, we limit ourselves to the financially relevant aspects that are of importance to our customers from a risk and opportunity point of view. Our model also allows distortions in the data regarding the size of the companies, industries and regions to be rectified.

Extract from an ESG scorecard for companies

Environment	Company	Peer Group	Delta	Contribution to Environment
Environmental Management	58.3	42.1	16.3	4.1
Environmental Impact	89.0	88.4	0.6	0.3
Environmental Disclosure	99.6	73.8	25.8	6.4
Social	Company	Peer Group	Delta	Contribution to Social
Working Conditions	100.0	58.7	41.3	13.8
Diversity	78.2	62.1	16.1	5.4
Health	26.1	18.8	7.2	1.3
Stakeholder Management	100.0	38.1	61.9	9.3
Governance	Company	Peer Group	Delta	Contribution to Governance
Reporting	80.0	56.7	23.3	2.3
Board	83.3	61.6	21.7	6.5
Compensation	36.1	38.3	-2.2	-0.7
Ownership & Control	61.5	48.7	12.8	2.6
Accounting	50.0	44.0	6.0	0.6

Source: Swisscanto Invest, own presentation

ESG score for states: Until now, ESG criteria have hardly been systematically taken into account when selecting government bonds. States are often only assessed on the basis of a credit rating. However, we have been dealing with the sustainability analysis of countries since 1999. We are convinced that framework conditions such as the existence of resources, legal certainty, property rights, education and good governance play a central role in long-term economic growth and thus also in the future creditworthiness of states. With our ESG score for states, we systematically assess the relevant ESG aspects.

The ESG score for states is based on an assessment of around 80 environmental, social and governance factors (ESG). The environmental dimension mainly focuses on the consumption and efficient use of resources such as water and waste as well as on climate change, mobility and biodiversity (nature conservation and agriculture). The social dimension assesses the standard of living and the health of the population as well as equality. The governance dimension takes into account indicators pertaining to a country's international commitment, the treatment of human rights, security and stability (e.g. citizens' rights and electoral behaviour). The data comes from various independent sources (such as the WHO, World Bank, UNEP, OECD, etc.).

Extract from an ESG scorecard for states

Environment		Social		Governance	
Sector	Example Indicator	Sector	Example Indicator	Sector	Example Indicator
Energy	Energy consumption per capita	Standard of living	Distribution of income	International engagement	Military spending
Water	Water consumption per capita	Health	Adolescent smokers	Safety and stability	Political rights
Resources	Hazardous waste	Education and culture	Education expenditure	Human rights	Human rights conventions
etc.		etc.		etc.	

Source: Swisscanto Invest, own presentation

3.3.2 Climate Score

This pillar measures the greenhouse gas intensity (CO₂e)⁸ of a company or state. The CO₂e intensity indicates how heavily the companies or states are polluting the environment with greenhouse gases. The total CO₂e emissions per year are determined and standardised with the respective turnover (for companies) or GDP (for states). The more CO₂e-intensive the company or state is, the worse the rating. The GHG Protocol (Greenhouse Gas Protocol) serves as the basis for our assessment, which is internationally recognised as the standard for accounting for greenhouse gas emissions. The GHG Protocol covers greenhouse gases regulated under the Kyoto Protocol: carbon dioxide, methane, nitrous oxide, fluorinated hydrocarbons, perfluorinated hydrocarbons. The emissions are assigned to Scopes 1-3 (see graphic) along their source of origin.

Climate score for companies: In the case of companies, the GHG Protocol provides for the documentation of Scope 1 and Scope 2. Today, the data is generally publicly available. It measures emission sources in Scope 1, such as company-owned power plants or vehicle fleets. Emissions resulting from the generation of energy or energy obtained externally, such as electricity and heat from energy services, belong to Scope 2. Scope 3 concerns emissions from upstream and downstream parts of the value chain. Due to poor data quality and lack of standardisation, no Scope 3 data is currently taken into account.

Climate score for states: For countries, we measure all CO₂e emissions released in the respective country. The calculation is based on the economic activities and documented use of CO₂e-emitting materials of each state. Essentially, the following aspects are considered: stationary energy (mainly from the local consumption of fossil fuels), transport, disposal, industrial processes and product use, as well as all other emissions that occur outside the geographical borders as a result of activities within the borders. The data allows the emissions from different states to be directly compared.

3.3.3 Controversy Score

The controversy pillar indicates whether there are suspected breaches of standards in companies and states. We identify what we regard as unethical, harmful business models in companies and violations of international standards in states. In addition, we determine whether there could be financial risks or reputational risks due to the nature of the business model. The focus in the case of states is on questionable practices with regard to human rights, environmental and geopolitical issues.

Controversy score for companies: The controversy score for companies consists of three sub-indicators (weighting as shown below). The issue score sub-indicator records the number of potential problem areas (issues). The issue score analyses around 15 issues in the environmental dimension, around 30 issues in the social dimension and around 60 issues in the governance dimension. Issues concern, for example, workplace safety, working conditions and product safety, as well as environmental pollution. It also takes into account, among other things, shortcomings with regard to remuneration issues, shareholder rights and the independence of the board of directors and management.

The sub-indicator reputational risk score comes from RepRisk, a company that specialises in the quantification of reputational risks. Companies that are subject to severe public criticism receive low ratings. In order to increase comparability, companies are assessed for the issue and reputational risk score within the corresponding industry groups. Since a raw material producer

⁸ CO₂ equivalents (CO₂e) are a unit of measurement to standardise the climate impact of the greenhouse gases carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and fluorinated greenhouse gases (CFCs). All of these gases remain in the atmosphere for different lengths of time and do not contribute equally to the greenhouse effect.

is more controversially discussed in the media than a wind turbine producer, for example, the ratings are calculated within their industry group for the purpose of comparability. Finally, the exclusion score sub-indicator measures whether the company violates one of the exclusion criteria of our blacklist for the Responsible or Sustainable product line.

Presentation of controversy score for companies		
Component	Weighting	Description
Issue score	25%	Number of issues/risk flags in which a company is involved
RepRisk score	25%	Quantitative measure to capture a company's reputational risk
Exclusion score	50%	Application of our exclusion criteria
Source: Swisssanto Invest, own presentation		

Controversy score for states: The controversy score for states is assessed using a number of factors. Based on various parameters – namely free elections, freedom of expression and religion, freedom of assembly, equality before the law and guaranteed property rights – the Freedom House Index measures the relevant liberties in the respective countries. We also include the use of the death penalty in the assessment. We distinguish states which still practise the death penalty from those which do not practise it but which allow it in the constitution, as well as those without the death penalty. We also take into account socio-economic risk dimensions such as money laundering, corruption and political risks. With regard to energy, we examine whether the nation state has ratified the Paris Climate Agreement and whether it is dependent on nuclear energy and electricity from coal. Military expenditure by the state is an important criterion.

Controversy score for states		
Indicator	Weighting	Description
Freedom House Index	20%	Level of democracy and freedom in states
Death penalty score	20%	Whether a state practises the death penalty
Corruption perception index	10%	Corruption criterion
Political governance risk management score	10%	Evaluates the management of a state's governance risk factors
Paris Agreement score	6.67%	Paris Climate Agreement signed and ratified
Nuclear power score	6.67%	Nuclear energy in the energy mix and planned new capacity
Electricity from coal score	6.67%	Share of coal in the energy mix
Military spending score	20%	Military expenditure relative to GDP
Source: Swisssanto Invest, own presentation		

3.3.4 Impact Score

The impact score measures the contribution of a company's products or services or the contribution of a state to sustainable development. It shows whether and to what extent companies and states serve at least one of the 17 official United Nations' Sustainable Development Goals. While the ESG score measures "how", the impact score focuses on "what". The impact score therefore measures the actual effect of solving social and environmental problems and not how a country or company deals with sustainability aspects. The United Nations' 17 Sustainable Development Goals (SDGs), which were put into effect by the UN member states on 1 January 2016, serve as a reference. Key objectives include strengthening economic growth, reducing inequalities, creating equal opportunities and ensuring the long-term preservation of our livelihoods and ecosystems.

Sustainable Development Goals of the United Nations (SDGs)



Source: United Nations, <https://sdgs.un.org/goals>

Impact score for companies: Companies with an impact contribute to solving sustainability problems with their products or services. To assess whether a company makes a positive contribution, we have therefore developed a proprietary analysis model for companies. We have identified six core themes and a total of twelve investment themes and recorded them on our investment themes card. The core themes reflect humanity's major areas of concern. Specifically, we differentiate between: energy, resources, mobility, health, knowledge and finance.

We have also included the SDGs on our investment theme card. We map the products and services of the companies there and assign them to established (e.g. solar) as well as emerging (e.g. hydrogen) future technologies. The allocation is based on a number of quantitative indicators aggregated into an overall assessment. The overall assessment, in turn, indicates the amount of the company's contribution to all positive impact themes.

High ratings are given to companies that make a significant positive contribution to the core themes with a large proportion of their production of products and services. Companies in certain sectors, such as consumer staples, the healthcare sector or certain industrial sectors, typically have an advantage here. In order to take this distortion into account, we also examine products and services for their negative impact on the SDGs and take this into account in the overall assessment.

Example of an SDG investment theme card			
Core topic	Investment theme	Most relevant SDG	Portfolio weight (%)
Energy	Renewable energy	7 AFFORDABLE AND CLEAN ENERGY	33,6
	Energy efficiency	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	32,9
Resources	Resource efficiency	12 RESPONSIBLE CONSUMPTION	7,9
	Water	6 CLEAN WATER AND SANITATION	14,7
Mobility	Private transport	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	5,3
	Public transport	11 SUSTAINABLE CITIES AND COMMUNITIES	4,5
Health	Health promotion	3 GOOD HEALTH AND WELL-BEING	
	Access to basic care	3 GOOD HEALTH AND WELL-BEING	
Knowledge	Networking	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	
	Education	4 QUALITY EDUCATION	
Finance	Access to financial services	1 NO POVERTY	
	Financial infrastructure	8 DECENT WORK AND ECONOMIC GROWTH	
Source: Own presentation, Swisscanto Invest			

Impact score for states: States are assessed directly along the SDGs. We use the ratings from the SDG Index⁹ for this purpose. The same objectives apply to all 193 UN member states, regardless of whether they are developed or developing.

The more and the better a state meets its objectives, the higher its impact score. In total, around 110 sub-indicators are included in the evaluation. However, the data situation and comparability have been challenging so far. The necessary information is not available for all countries, which is why 37 countries have not yet been evaluated.

Many developing countries are not yet achieving basic objectives such as combating hunger and providing safety. Potential for improvement in industrialised countries is identified in particular in the areas of responsible consumption and CO₂e emissions per capita. The top placements in the ranking are occupied by the highly developed Nordic countries Sweden, Denmark and Finland. Switzerland also ranks at the top with a high impact score. In contrast, poorly developed African countries such as Chad, South Sudan and the Central African Republic are found at the bottom of the ranking.

⁹ See also: sdgindex.org

3.3.5 Exclusion criteria

The following exclusion criteria are used for the Swisscanto Invest Sustainable funds:

Issue	Exclusion criteria ¹⁰
Climate change	<ul style="list-style-type: none"> • Coal extraction • Coal reserves • Operation of fossil-fuel power stations • Extraction of natural gas • Oil extraction • Conventional automakers without a comprehensive transition strategy to use alternative climate-friendlier drive systems • Manufacture of aircraft • Airlines • Cruise ship operators • Countries that have not ratified the Paris Climate Agreement
Decline in biodiversity	<ul style="list-style-type: none"> • Genetic engineering (release of GMOs) • Non-sustainable fisheries and aquaculture • Non-sustainable forestry • Countries that have not ratified the Convention on Biological Diversity (CBD)
Risk to society and health	<ul style="list-style-type: none"> • Manufacturers of prohibited weapons: <ul style="list-style-type: none"> ○ Cluster bombs and ammunition ○ Anti-personnel and landmines ○ Biological and chemical weapons ○ Nuclear weapon systems¹¹ ○ Nuclear weapon material¹¹ ○ Enriched uranium¹¹ ○ Blinding laser weapons ○ Incendiary weapons • Behaviour-based exclusions according to SVVK-ASIR¹², among others • Manufacture of weapons and ammunition • Production of military hardware • UN Global Compact violations¹³ • Child labour • Production of pornography • Operation of nuclear facilities • Uranium extraction • Manufacture of nuclear reactors

¹⁰ In exceptional cases, exclusions may not be taken into account in consideration of investor interests, e.g. in the case of indirect investments. Certain exclusion criteria can be overridden for green and sustainable bonds.

¹¹ Only in the case of proliferation contrary to the Non-Proliferation Treaty (NPT).

¹² Swiss association for responsible investments.

¹³ United Nations standard on human rights, labour rights, environmental standards and anti-corruption. In the case of potential violations highlighted by our screening, we seek dialogue as part of the engagement and ask the companies to change their behavior. If this does not happen, the investments are sold.

Issue	Exclusion criteria
Risk to society and health	<ul style="list-style-type: none"> • Genetic engineering: human medicine • Manufacture of tobacco and smokers' accessories • Production of alcohol (>5% revenue) • Gambling (>5% revenue) • Intensive livestock farming • Countries: Low level of democracy and freedom • Countries: Use of the death penalty • Countries: High military budgets (>4% of GDP) • Countries: Expansion of nuclear energy (total share >50%) • Socio-economic risks

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?¹⁴

Risk reduction regarding climate change

For Sustainable funds, the application of extensive exclusion criteria makes a significant contribution to achieving a substantial reduction in the CO₂e intensity of investments of up to 70% compared to the respective benchmark. These significant reductions in the CO₂e intensity¹⁵ of the Sustainable portfolios are achieved by consistently excluding companies from the following areas:

- Coal extraction
- Coal reserves
- Operation of fossil-fuel power stations
- Extraction of natural gas
- Oil extraction
- Conventional automakers without a comprehensive transition strategy to use alternative climate-friendlier drive systems
- Manufacture of aircraft
- Airlines
- Cruise ship operators

Investment in measures for combating climate change

For the Sustainable funds, we conduct an in-depth analysis of the sustainability impact of the products and services of companies. Accordingly, we focus, for example, on companies that make a positive contribution to reducing CO₂e emissions and thus to implementing the Paris Agreement with their products and services. Companies from the following four investment sectors play a central role here:

- Renewable energies
- Energy efficiency
- Sustainable mobility solutions
- Resource efficiency

¹⁴ Reference to Article 173 of the French TECV Regulation, see paragraphs 3 and 4 of Article D.533-16-11, Chapter III of the French Legal Code:

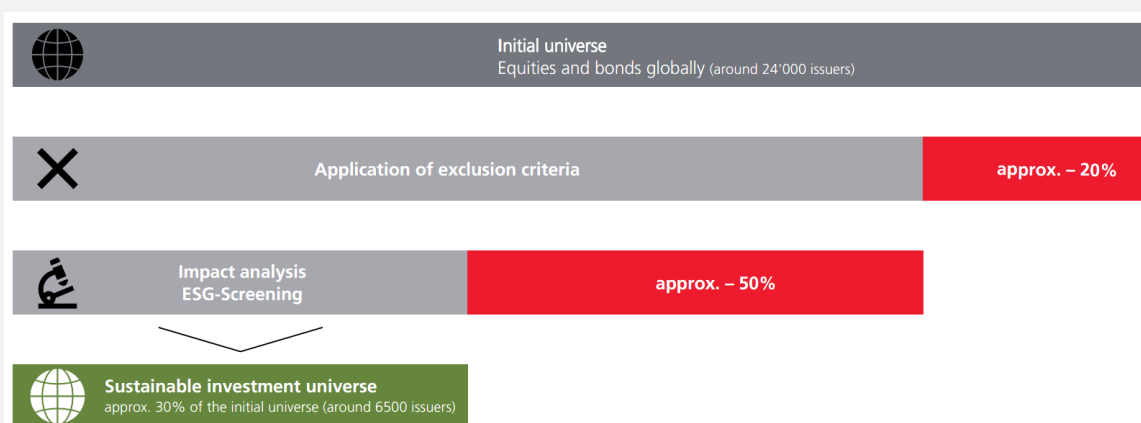
<https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>

¹⁵ CO₂ equivalents (CO₂e) are a unit of measurement to standardise the climate impact of the greenhouse gases carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and fluorinated greenhouse gases (CFCs). All of these gases remain in the atmosphere for different lengths of time and do not contribute equally to the greenhouse effect.

3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used, etc.)?

3.5.1 Multi-stage review process for Sustainable funds

Companies around the world are analysed for their sustainability performance using a specially developed multi-stage evaluation procedure. This consists of exclusion criteria filters, impact analysis (regarding products and services) and ESG screening and is an integral part of the investment process for our Sustainable product line. The aim of the impact analysis and ESG screening is to identify companies that have best incorporated sustainability requirements into their business activities and strategies. With the exclusion criteria, we identify companies and industries whose activities are not in line with our understanding of sustainable development.



(Source: Swisscanto Invest)

























Application of exclusion criteria

The exclusion criteria relate to corporate activities which directly exacerbate the world's major problems and risks from an environmental or societal perspective. These activities are not in line with our belief in sustainable development. The data required is gathered by external research partners and validated by our internal research team. In most cases the zero-percent turnover rule applies; for some exclusion criteria there is a 5% turnover threshold. The detailed and comprehensive exclusion criteria for the Sustainable product line are listed in Section 3.3.

Sustainability impact analysis for equities and corporate borrowers

Here, Swisscanto Invest is guided by twelve investment themes that contribute to the United Nations' Sustainable Development Goals. Companies whose products and services make a positive contribution to solving societal problems are included in the investment universe for the Sustainable product line. Our goal is to achieve growth in prosperity without further harming the environment and society. The focus is on the sustainability impact of a company's products and services.

For the Sustainable product line, Swisscanto Invest has identified certain investment areas that play a decisive role in whether the global economy can pursue a (more) sustainable development. Half of the investment areas are classed as more environmental and the other half more social issues. The following figure provides an overview of the twelve investment themes:

The six investment sectors		UN Sustainable Development Goals (main focus)	
	Energy <ul style="list-style-type: none">▪ Renewable energies▪ Energy efficiency	  	<ul style="list-style-type: none">▪ Ensuring access to affordable, reliable, sustainable and modern energy for all▪ Building resilient infrastructure, promoting sustainable industrialisation and fostering innovation▪ Taking urgent action to combat climate change and its impacts
	Mobility <ul style="list-style-type: none">▪ Public transport▪ Personal transport	  	<ul style="list-style-type: none">▪ Ensuring healthy lives and promoting well-being for all at all ages▪ Making cities inclusive, safe, resilient and sustainable▪ Taking urgent action to combat climate change and its impacts
	Resources <ul style="list-style-type: none">▪ Water▪ Resource efficiency	  	<ul style="list-style-type: none">▪ Ensuring access to water and sanitation for all▪ Ensuring sustainable consumption and production patterns▪ Taking urgent action to combat climate change and its impacts
	Health <ul style="list-style-type: none">▪ Access to basic care▪ Promoting health	  	<ul style="list-style-type: none">▪ Ending poverty in all its forms everywhere▪ Ensuring healthy lives and promoting well-being for all at all ages▪ Reducing inequality within and among countries
	Finance <ul style="list-style-type: none">▪ Access to financial services▪ Financial infrastructure	  	<ul style="list-style-type: none">▪ Ending poverty in all its forms everywhere▪ Achieving gender equality and empowering all women and girls▪ Reducing inequality within and among countries
	Knowledge <ul style="list-style-type: none">▪ Education▪ Networking	  	<ul style="list-style-type: none">▪ Ensuring inclusive and quality education for all and promoting lifelong learning▪ Achieving gender equality and empowering all women and girls▪ Promoting inclusive and sustainable economic growth, employment and decent work for all

(Source: Swisscanto Invest)

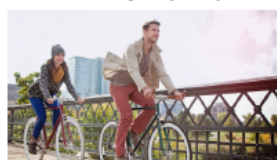
Using the impact score, which links a company's products and services with the investment themes and thus also with the relevant SDGs, companies from the universe are selected for in-depth financial analysis. For further information on the impact score, see the response to question 3.3.

The results of the analyses are summarised in clear, single-page profiles that highlight the societal benefits of the products and services, the business model, growth and entry barriers (see example below). Accordingly, portfolio managers and analysts focus on companies and debtors that can contribute to solving various sustainability problems (e.g. climate change, global nutrition, ageing population and diseases of civilisation such as diabetes) with their products and services.

Our goal is for around two thirds of a fund portfolio to comprise companies and debtors with a high societal benefit (known as SDG leaders).

Case study: Aptiv PLC

Sustainability Impact profile



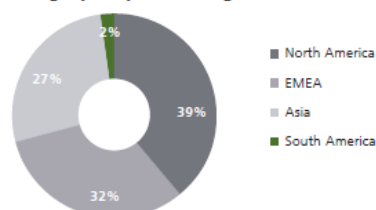
Mobility
Personal transport

Company description

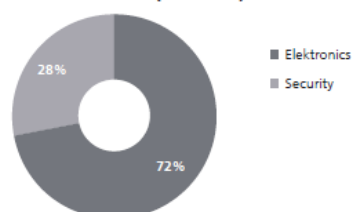
Sector	Automotive parts
Country	USA
Employees	160,000+
Revenue	USD 14.4 billion
Market capitalisation	USD 32.8 billion

Aptiv PLC is a global automotive supplier. The company operates in two segments: electronics (components and systems for vehicle electronics, 72% of revenue) and safety (systems and software for active and passive safety solutions, 28%).

Geographic positioning (revenue)



Business areas (revenue)



Source: Bloomberg, data as at December 2019

Sustainability Impact and business model

Almost a quarter of the world's CO₂ emissions come from transport activities, two thirds of which are attributable to passenger cars. Given the potentially catastrophic consequences of climate warming, many countries have committed to drastically reducing greenhouse gases. As a result, car manufacturers are forced to halve CO₂ emissions from passenger cars per kilometre travelled by 2030.

Although combustion engines have further potential to increase efficiency and additional savings can be achieved with hybrid models, the longer-term solution lies in the complete electrification of the drive systems and the conversion of the energy supply to renewable energies. Aptiv is excellently positioned to benefit from the decarbonisation of the car (among other things via the high-voltage products) as well as from increasing safety requirements and self-driving vehicles (including via active safety components). For this purpose, Aptiv has entered into partnerships with companies such as Mobileye/Intel, BMW and Lyft for relevant safety and driver assistance systems.

Growth and barriers to entry

In view of the focus on growth topics in the automotive industry such as electrification and safety/autonomous driving, above-average sales growth (>5%) can be expected for Aptiv in the coming years. Profit margins are likely to increase due to productivity gains and a changed product mix. Aptiv is the leader in the majority of the company's fields of activity, particularly in the integration of hardware and software as well as data analysis in complete systems.

Risks

In addition to the cyclical risks, product liability represents the greatest systemic risk. Moreover, the switch to electric vehicles could facilitate the entry of new market participants and/or the insourcing of manufacturing steps on the part of automotive manufacturers. The consequences of autonomous driving, which will lead to a more efficient use of the global vehicle pool, as well as new mobility services, remain to be seen.

(Source: Swisssanto Invest)

ESG screening for equities and corporate borrowers

In addition to the sustainability impact analysis, a sustainability analysis is carried out using an ESG score. In contrast to the impact analysis, which mainly addresses the question of what a company does, ESG screening focuses on the question of how sustainably a company produces its products or provides its services. ESG screening compares twelve indicators with around 45 sub-indicators in the environmental, social and corporate governance areas (for details see the response to question 3.3). The data points are obtained from specialised, independent data

providers. Compared to the initial universe, the best 30% or so companies are included in the Sustainable investment universe according to the impact analysis and/or ESG screening.

3.5.2 Sustainability analysis for other debtor categories

Besides corporate debtors, Swisscanto Invest distinguishes between other debtor categories. There are specific analytical procedures in order to identify the best debtors in a debtor group from a sustainability point of view.

- **Countries, cities, cantons and federal states:** In the case of countries, we apply exclusion criteria as a first step. For example, in the Sustainable product line, we exclude countries that have not signed the Paris Agreement and countries that apply the death penalty. Details on the exclusion criteria for countries are described in Section 3.3.5. In a second step, we apply our ESG score for countries. This is based on comprehensive indicators in various environmental, social and governance-related areas. In terms of the environment, for example, CO₂ emissions, the number of endangered animal species or the ratification of international agreements (by the respective countries) are assessed. At the social level, aspects such as political rights, corruption, equal opportunities or the distribution of income are assessed. Further details on the ESG score for countries can be found in section 3.3.1. The best 30% or so countries according to the ESG score are included in the Sustainable investment universe. We use the same ESG score for the assessment of the debtor categories of cities, cantons and federal states as we do for the respective countries.
- **Supranational corporations:** To evaluate supranationals contributing to the United Nations' Sustainable Development Goals, our analysts assess their financing purpose and the environmental and social policies that the corporations follow.
- **Green, social and sustainable bonds:** Green, social or sustainable bonds are increasingly being issued to finance the energy transition and generally to achieve the United Nations' Sustainable Development Goals. The funds that are raised via such a bond are earmarked for a specific purpose. Green, social and sustainable bonds must go through our rigorous internal review process, which goes beyond the minimum criteria defined by the International Capital Market Association (ICMA). "Sustainability-linked bonds" – unlike green, social and sustainable bonds – are not earmarked and are therefore not part of our Sustainable investment universe.

3.5.3 Structure of the Sustainable investment universes

Equity investment universe: The Sustainable investment universe of equities, which results from the application of the exclusion criteria as well as the impact analysis and ESG screening, consists of SDG and ESG leaders. Compared to the initial universe, around 30% of companies remain investable. Of these investable companies, around 30% are SDG leaders and 70% are ESG leaders.

Debtor investment universe: Around 25% of corporate debtors remain investable after applying the exclusion criteria, ESG screening and impact analysis. Of these investable companies, around 40% are SDG leaders and 60% are ESG leaders. Countries/Supranational corporations: Around 30% of the initial universe remains investable after applying the exclusion criteria and ESG screening. In addition, the Sustainable investment universe for debtors also includes green, social and sustainable bonds as well as bonds from cities, cantons and federal states that meet our strict Sustainable criteria.

3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

Swisscanto Invest's four sustainability scores¹⁶ are calculated and updated twice a year. If incidents occur that can substantially influence the sustainability scores, more detailed research is carried out and, if necessary, the affected company is contacted. Once the analysis has been completed, a company or debtor may be excluded from the Sustainable investment universe.

The Sustainable investment universe is binding for the portfolio managers and is monitored periodically by internal controlling. If a security violates our sustainability criteria (e.g. violation of exclusion criteria), it is generally sold within 30 days (in individual cases, a longer sale period may be required due to the low liquidity of the security and in order to protect investors' interests).

¹⁶ ESG score, climate score, controversy score, impact score

4. The investment process

4.1. How do you take into account ESG criteria when defining the universe of eligible investments?

As described in section 3.5, securities for the equities and debtors investment universes of the Sustainable product line are selected in a multi-stage sustainability analysis process. The resulting investment universes are binding for the portfolio managers and compliance with these requirements is monitored periodically by internal investment controlling.

4.2. How are criteria specific to climate change integrated into portfolio construction?

See above for 3.4.

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

Not relevant. All securities in the portfolios of our Sustainable funds have a sustainability evaluation.

4.4. Has the ESG evaluation or investment process changed in the last 12 months?

Yes, of the four Swisscanto sustainability scores described in detail in section 3.3, the climate score, the controversy score and the impact score are new developments.

4.5. Is a part of the fund(s) invested in unlisted entities pursuing strong social goals/social enterprises (impact investing)?

No (the funds only invest in listed companies).

4.6. Does (do) the fund(s) engage in securities lending activities?

No.

4.7. Does (do) the fund(s) use derivative instruments?

Yes, derivatives can be used.

If yes describe,

(i) their nature

The fund management can use both standardised as well as non-standardised derivatives. It can trade derivatives on an exchange, on another regulated market open to the public or OTC (over the counter).

(ii) the objectives

To ensure that the investment strategy is implemented as cost effectively as possible and to structure risk/earning considerations as best as possible.

(iii) the potential limits in terms of exposure

It is ensured that the use of derivatives will not lead to a deviation from the investment goals named in the pertinent fund documents or to a change in the investment character of the subfund assets in their economic effect, including under extraordinary market conditions.

(iv) if appropriate, their impact on the SRI nature of the fund

In our view, the use of derivatives has no significant influence on the sustainability approach of the Swisscanto Invest funds.

4.8. Does (do) the fund(s) invest in mutual funds?

These may sometimes be used to a limited extent.

5. ESG monitoring

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?¹⁷

Monitoring the Sustainable investment universe: This is initially ensured during the selection process for the sustainable investment universe. When selecting the permissible Sustainable investment universe, the sustainability analysts review whether the qualifying companies and debtors meet our requirements.

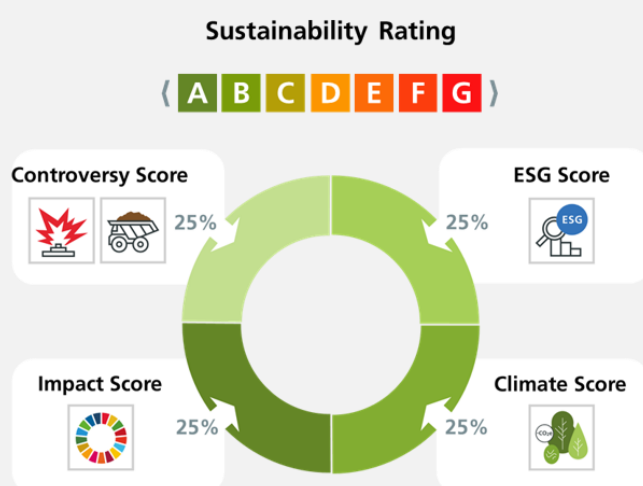
The Sustainable investment universe is binding for the portfolio managers and its compliance is periodically monitored by the portfolio management system of Zürcher Kantonalbank as well as by investment controlling of the respective fund management.

If a security is excluded from the Sustainable investment universe due to controversies, the fund management must generally sell the security within 30 days; in individual cases, a longer sale period may be required due to the low liquidity of the security and in order to protect the interests of investors.

6. Impact assessment and ESG reporting

6.1. How is the ESG quality of the fund(s) assessed?

A proprietary Swisscanto Invest sustainability rating is available for Swisscanto Invest funds, which is based on data from various third-party providers and its own analyses. The rating is calculated according to the values of the collective assets and individual securities contained in the portfolio and is divided into seven sustainability classes ranging from A (highest level) to G (lowest level). For the calculation of the rating, companies and states are assessed on the basis of the four pillars of Swisscanto's sustainability research:



- Controversy Score: To what extent do publicly controversial business areas, questionable business practices or violations of international standards exist?
- ESG score: How sustainably is the company or state managed?

¹⁷ Reference to Article 173 of the French TECV Regulation

- Impact score: What impact do a company's products and services have in terms of achieving the 17 UN Sustainable Development Goals or what impact does a state have on society and the environment in order to promote the achievement of the 17 UN goals?
- Climate Score: To what extent does the company or state have a negative impact on the environment in terms of CO₂e emissions?

The sustainability rating can be found on the respective fund factsheet and in the respective Swisscanto sustainability report under Swisscanto Products ([Fund Info | Swisscanto Invest](#)). Since the beginning of 2021, a Swisscanto sustainability report has been available on a quarterly basis for all Responsible and Sustainable investment funds from Swisscanto Invest, creating transparency over the following areas among others:

- the CO₂e intensity of the investment fund and the achievement of the 2-degree climate target,
- excluded companies/practices (controversies),
- and the sustainability approaches applied.

6.2. What ESG indicators are used by the fund(s)?¹⁸

The four main indicators of the Swisscanto Sustainability Rating (ESG score, climate score, controversy score and impact score) and the corresponding sub-indicators are described in detail in section 3.3.

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

Link to factsheet, securities prospectus, annual and semi-annual report, quarterly Sustainability Reporting, key investor information (KIID):

<https://products.swisscanto.com/products/disclaimer?lang=en>

→ Fund selection → Publications

Dedicated sustainable investment web page(s) at company/fund level (if applicable)

Swisscanto

Publications on sustainable investments:

<https://www.swisscanto.com/ch/en/is/dsc-handling-investments/publications-downloads.html>

→ Fund selection -> Documents (Dokumente)

Further information on sustainable investments:

<https://www.swisscanto.com/ch/en/po/swisscanto-invest/sustainability.html>

Sustainability impact studies are available upon request.

¹⁸ Reference to Article 173 of the French TECV Regulation

6.4. Does the fund provider publish the results of its voting and engagement policies?¹⁹

Yes, the results of exercising voting rights are published.

www.swisscanto.ch/voting

Yes, the results of our engagement activities are published.

<https://www.swisscanto.com/ch/de/uu/unternehmen/swisscanto-asset-management-international-sa.html>

=> Stewardship section => Quarterly reports on global and thematic engagements

¹⁹ Reference to Article 173 of the French TECV Regulation and the recommendations of the HLEG on *governance*

EUROSIF AND THE NATIONAL SUSTAINABLE INVESTMENT FORUMS (SIFS) ARE OBLIGATED TO OBSERVE THE FOLLOWING POINTS:

- Eurosif is responsible for the management and publication of the Transparency Code.
- The Sustainable Investments Forum (FNG) [Forum Nachhaltige Geldanlagen (FNG) e.V.] is the main contact for Germany, Austria, Liechtenstein and Switzerland.
- Eurosif and FNG publish the responses to the Transparency Code on their websites.
- In cooperation with FNG, Eurosif provides a "transparency logo" to those funds that follow the Code and have submitted a relevant response. The logo can be used for advertising purposes; the instructions in the logo specifications manual must be observed and the Code must be kept up to date. The Code must be updated annually.
- Eurosif undertakes to regularly revise the Code. This is an open and inclusive process.

EUROSIF

Eurosif – the abbreviation for the European Sustainable and Responsible Investment Forum – is a Europe-wide association whose task is to promote sustainability through Europe's financial market

Eurosif functions as a partner of the European national Sustainable Investment Forums (SIFs) with the support and participation of its members. The members cover all the areas along the sustainable financial industry's value-added chain. Further members come from countries in which no SIF exists.

Institutional investors are represented in the same manner as asset managers, asset management companies, sustainability research agencies, scientific institutions and non-governmental organisations. Eurosif represents assets of around 1 trillion euros via its members. Eurosif membership is open to all organisations in Europe that have committed themselves to sustainable investments.

Eurosif is recognised as an important voice in the area of sustainable and responsible investments. Its areas of activity include public policy, research and the development of platforms to promote best practices in the area of sustainable investments. Further information can be found at www.eurosif.org.

The following entities currently form part of the national Sustainable Investment Forums (SIFs):

- Dansif, Denmark
- Finsif, Finland
- Forum Nachhaltige Geldanlagen* (FNG) e.V., Germany, Austria, Liechtenstein and Switzerland
- Forum per la Finanza Sostenibile* (FFS), Italy
- Forum pour l'Investissement Responsable* (FIR), France
- Norsif, Norway
- Spainsif*, Spain
- Swesif*, Sweden
- UK Sustainable Investment and Finance Association* (UKSIF), United Kingdom
- Vereniging van Beleggers voor Duurzame Ontwikkeling* (VBDO), the Netherlands

*Member of Eurosif

Eurosif can be reached at +32 2 743-2947 or via email at contact@eurosif.org.

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1030 Schaerbeek

FNG

The Sustainable Investments Forum (FNG), is the professional association for sustainable investment in Germany, Austria, Liechtenstein and Switzerland and represents more than 170 members who are committed to more transparency in the financial industry. This includes banks, investment companies, ratings agencies, financial advisers and scientific institutions. FNG promotes dialogue and the exchange of information between business, science and politics and has advocated for improved legal and political framework conditions for sustainable investments since 2001. FNG provides the transparency logo for sustainable public funds, the FNG sustainability profile and the FNG matrix and is the founding member of the European umbrella association, Eurosif.

The Sustainable Investment Forum can be reached at +49 (0)30 264 70 544 or at office@forum-ng.org

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More information on Eurosif and the European Transparency Code for Sustainability Funds can be found at www.eurosif.org and at www.forum-ng.org.

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