

ESG at Zuger Kantonalbank

# Sustainability Reporting

## ZugerKB Fonds – Aktien ESG USA (USD)

**Benchmark:** MSCI USA Index

**Dates as of:** 30 November 2024

## ESG Report

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### ESG approach at Zuger Kantonalbank

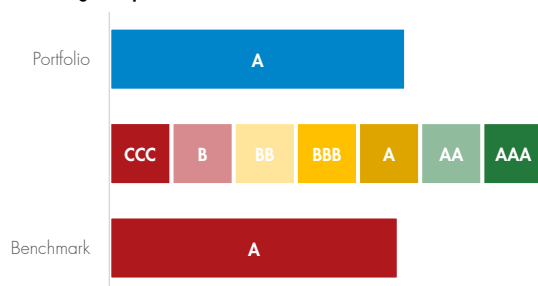
Whereas with traditional investments only the metrics of classic financial analysis are applied, responsible investments offer the added possibility of steering portfolios in a constructive direction. Incorporating ESG criteria into the investment decision-making process is designed to reduce ESG risks in the portfolio and allow the corresponding opportunities to be exploited. Companies which take into account ESG aspects tend to exhibit better long-term corporate quality and a superior ability to react to ESG risks and opportunities compared to those with a poor ESG rating.

The approach of Zuger Kantonalbank combines mainly various exclusion criteria (targeted reduction of risks) with the ESG integration approach (combination of classic and responsible financial analysis). Our investment solutions exclude investments from the responsible investment universe that violate the criteria we have defined. As a basis, we use data from MSCI ESG Research LLC, one of the world's leading independent research companies in the field of ESG. You can find details of our ESG approach on our website [www.zugerkb.ch/en/esg](http://www.zugerkb.ch/en/esg).

### ESG rating: Comparison with benchmark

The ESG rating measures how resilient a portfolio is overall to long-term ESG risks and in respect of ESG opportunities. Portfolios with a high rating consist primarily of securities with leading or improving management of the main ESG risks. The ESG rating is derived directly from the ESG score.

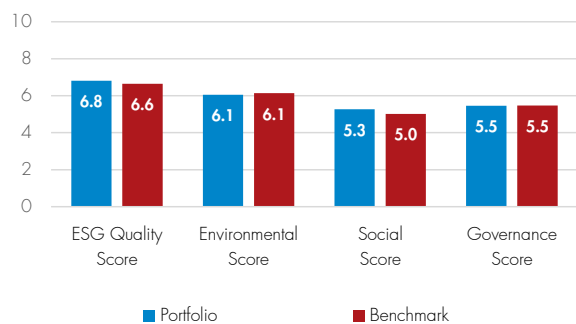
#### ESG Rating: Comparison



### ESG Scores

The ESG Quality Score summarises the ESG evaluations at the company level. Likewise, and based on the relevant ESG factors, an environmental score (E), social score (S) and governance score (G) are calculated. Scores are awarded on a scale of 0 to 10. The ESG Quality Score is industry-adjusted and can therefore not be compared directly with the three other values.

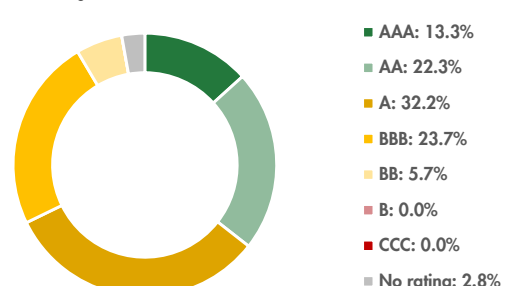
#### ESG Scores



### ESG rating: Distribution

Percentage-based breakdown of the securities in the portfolio on the basis of the respective MSCI ESG ratings. The weighted average of the ESG scores produces the portfolio's ESG rating. ESG ratings AAA and AA are classified as leaders. B and CCC constitute the laggards.

#### ESG Rating: Distribution



### ESG Exclusion Criteria at Zuger Kantonalbank

The application of various ESG (Environment, Social, Governance) exclusion criteria enables us to proactively mitigate risks that may arise from controversial business activities. We thus focus on companies with greater resilience to long-term ESG risks of relevance to the sector. Thus issuers who fail to comply with defined standards or values closely related to the aims of sustainability are excluded. Please find further details on our website.

Exclusion criteria	Direct investments	Investment funds	Portfolio	Benchmark
<b>Norms-Based</b>				
UN Global Compact	Result = «fail»	Fund share ≥ 3%	☑	☑
ESG controversies	Result = «red»	Fund share ≥ 3%	☑	☒
Controversial weapons	Sales share > 0%	Fund share ≥ 3%	☑	☒
Nuclear weapons	Sales share > 0%	Fund share ≥ 3%	☑	☒
<b>Values-Based</b>				
Conventional weapons	Sales share ≥ 5%	Fund share ≥ 8%	☑	☒
Thermal coal	Sales share ≥ 5%	Fund share ≥ 8%	☑	☑
Unconventional oil & gas	Sales share ≥ 5%		☑	☒
Nuclear energy	Sales share ≥ 5%	Fund share ≥ 8%	☑	☒
Adult entertainment	Sales share ≥ 5%	Fund share ≥ 8%	☑	☑
Tobacco	Sales share ≥ 5%	Fund share ≥ 8%	☑	☒
Gambling	Sales share ≥ 5%	Fund share ≥ 8%	☑	☒
ESG rating	«B» or «CCC»	«B» or «CCC»	☑	☒
<b>Country-Based</b>				
UN sanctions	Result = «yes»		☑	☑
Government ESG rating	«B» or «CCC»		☑	☑

☑ The exclusion criterion is met.

☒ The exclusion criterion is violated.

## Swiss Climate Scores

**Portfolio:** ZugerKB Fonds – Aktien ESG USA (USD)  
**Benchmark:** MSCI USA Index  
**Daten per:** 30 November 2024

### Introduction

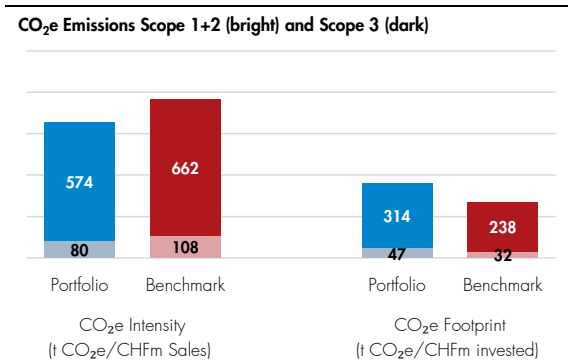
Switzerland and its financial market are committed to transitioning to net zero greenhouse gas emissions by 2050. This is needed to meet its obligations under the Paris Agreement of holding the increase in the global average temperature to well below 2°C and pursuing efforts to limit it to 1.5°C. Current science indicates that global warming beyond 1.5°C has potentially catastrophic impacts on the natural world and human society.


The Swiss Climate Scores are intended to provide institutional and private investors in Switzerland with comparable and meaningful information on the extent to which their financial investments are compatible with the climate goals of the Paris Agreement. They contain indicators that not only reflect the current situation of financial products or portfolios (actual situation), but also show where they are currently positioned in relation to the Paris Agreement (in particular, the net zero target by 2050). Net zero means that global emissions of greenhouse gases may not exceed the amount that can be absorbed by natural and technical sinks.

### Current State Indicators

#### Greenhouse Gas Emissions

Encompasses all sources of greenhouse gas emissions from invested companies (scope 1-3), including relevant emissions of their suppliers and products.



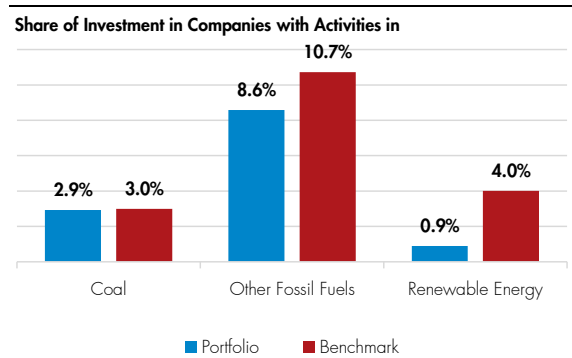
 **Medium** estimation uncertainty

Data coverage	PF S1+2	PF S3	BM S1+2	BM S3
CO <sub>2</sub> e Intensity	97.2%	97.2%	99.9%	99.8%
CO <sub>2</sub> e Footprint	97.2%	97.2%	99.7%	99.5%

Data provider: MSCI ESG Research LLC

#### Exposure to Fossil Fuel Activities and Renewable Energy

There is scientific consensus regarding the need to phase-out coal and more generally fossil fuels as well as regarding the need to invest in renewable energy to enable the transition to net zero.



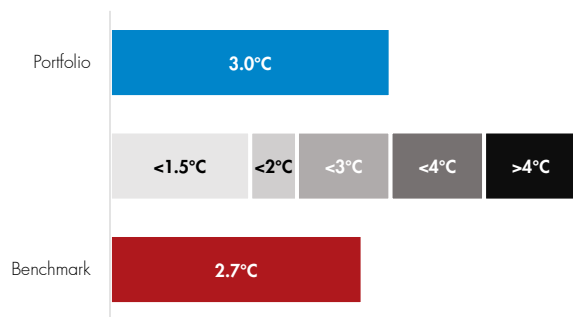
 **Low** estimation uncertainty

## Transition to Net Zero Indicators

### Global Warming Alignment

This is the level of global warming that would occur if the global economy acted with the same ambition as the companies in the portfolio. Some portfolios with climate objectives may intentionally include investments in companies that are not yet on track to limit global warming to 1.5°C, but seek to contribute actively to climate goals by improving the alignment of investee companies to bring a larger share of the real economy into alignment over time.

#### Global Warming Potential



 **High** estimation uncertainty

Data coverage: 97.2% (Portfolio) resp. 99.6% (Benchmark)

Climate scenarios used: NGFS Net Zero 2050 Pathways

Data provider: MSCI ESG Research LLC

### Credible Climate Stewardship

Financial institutions can contribute to the transition to net zero, notably by utilising their shareholder voting rights at general meetings of investee companies and initiating climate resolutions as well as by engaging with invested companies on third-party-verified, science-based net zero-aligned transition plans by 2050.

Are companies in the portfolio subject to credible stewardship on climate transition?

Yes  No

Is the financial institution a member of a climate engagement initiative?

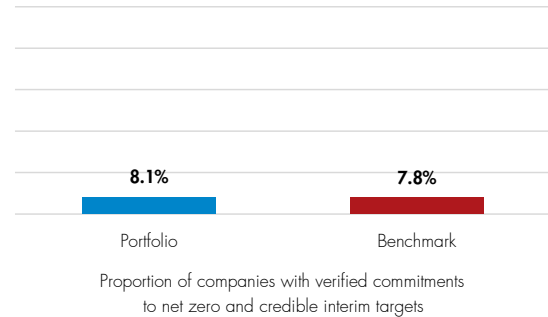
Yes  No

 **Medium** estimation uncertainty

### Verified Commitments to Net Zero

Companies are increasingly committing voluntarily to transitioning to net zero and setting interim targets. The effectiveness of such commitments depends on whether applied interim emissions reduction targets are credible, science-based, transparent, and supported by credible action to cut emissions.

#### Verified Commitments to Net Zero



 **Low** estimation uncertainty

### Management to Net Zero

Financial institutions can align their investment strategy with a consistent 1.5°C decarbonisation pathway.

Is the portfolio part of a third-party verified commitment to net zero by the financial institution, including credible interim targets?

Yes  No

Does the investment strategy include a goal to reduce the greenhouse gas emissions of its underlying investments through concrete short (1-3 years) or mid-term (4-7 years) targets?

Yes  No

## Explanations to the Swiss Climate scores

### Greenhouse Gas Emissions

**CO<sub>2</sub> equivalents (CO<sub>2</sub>e)** are a unit of measurement for standardising the climate impact of different greenhouse gases. Carbon dioxide (CO<sub>2</sub>) is the main anthropogenic greenhouse gas. Others include methane and nitrous oxide. These are expressed as CO<sub>2</sub> equivalents in terms of their contribution to global warming. The calculations are based on the global warming potential of each gas compared with CO<sub>2</sub> over a certain period. CO<sub>2</sub>e makes it possible to standardise certain greenhouse gases in a single unit and facilitates a comparison of their effects in terms of climate change.

**CO<sub>2</sub> intensity:** Absolute CO<sub>2</sub>e emissions in tonnes (reported or estimated) are standardised with the respective turnover in CHF millions. This makes it possible to compare companies of different sizes.

**CO<sub>2</sub>e footprint:** Absolute CO<sub>2</sub>e emissions in tonnes (reported or estimated) are standardised with the respective enterprise value (enterprise value including cash) in CHF millions. This makes it possible to compare companies as a whole (equity and debt capital).

**Scope 1:** Carbon emissions from own or controlled sources (e.g. stationary combustion of fossil fuels or mobile combustion of fossil fuels in own vehicles).

**Scope 2:** Indirect carbon emissions connected with electricity consumed at an institution's facilities.

**Scope 3:** All other indirect emissions connected with the activities of company facilities but which are derived from sources that do not belong to (or are not controlled by) the institution, e.g. commuting and waste disposal.

### Global Warming Alignment

This data point refers to the **implied temperature rise (ITR)** calculated on the basis of MSCI ESG research. This is a future-oriented parameter that shows how a portfolio conforms to the global climate goals approved in Paris in 2015. The Paris Agreement set the goal of limiting global warming to well below 2°C, preferably to 1.5°C above the pre-industrial level.

The **NGFS** (Network of Central Banks and Supervisors for Greening the Financial System) is a worldwide network of central banks and supervisory authorities that is committed to a more sustainable financial system. It aims to analyse the consequences of climate change for the financial system and to steer global finance streams in a way that enables low-carbon economic growth.

### Exposure to Fossil Fuel Activities and Renewable Energy

Share of investments in companies with an exposure in the following business activities:

**Coal:** Companies with a connection to thermal coal, especially as regards the holding of reserves, production and electricity generation. If a company is rated as exposed, the entire enterprise value must be reported in the portfolio.

**Other fossil fuels:** Companies with a connection to the oil and gas industry, especially reserve holdings, income from oil and gas transactions and energy generation. Companies that generated income from biofuels are not listed. If a company is rated as exposed, the entire enterprise value must be reported in the portfolio.

**Renewable energy** is a type of energy produced from natural sources or processes that are continuously renewed. The best-known types are wind, solar, geothermal, hydroelectric and biomass. If it is ascertained that a company generates income related to renewable energies (e.g. products, services, infrastructure projects that support the development, distribution or generation of renewable energies), the aggregation method should use a market-weighted average on the basis of the company's income in the portfolio that meets the criteria.

### Verified Commitments to Net Zero

Net zero means that global greenhouse gas emissions must not exceed the capacity of natural and technical stores. This data point shows the percentage of companies that have one or several CO<sub>2</sub> reduction targets that have been confirmed by the Science Based Targets initiative (SBTi).

The **Science Based Targets initiative (SBTi)** is a joint initiative of the CDP, UNGC, WRI and WWF that develops methods and criteria for effective climate protection in companies and validates corporate goals. The SBTi defines and promotes proven processes for reducing emissions and net zero targets in step with climate science.

## We are signatories to or members of the following organisations



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