ESG at Zuger Kantonalbank

Sustainability Reporting

ZugerKB Fonds – Strategie ESG Ausgewogen (CHF)

Benchmark: Investment Fund has no benchmark

Dates as of: 31 May 2024

EN 8191-0524

ESG Report

Portfolio: ZugerKB Fonds – Strategie ESG Ausgewogen (CHF)
Benchmark: Investment Fund has no benchmark
Dates as of: 31 May 2024

ESG approach at Zuger Kantonalbank

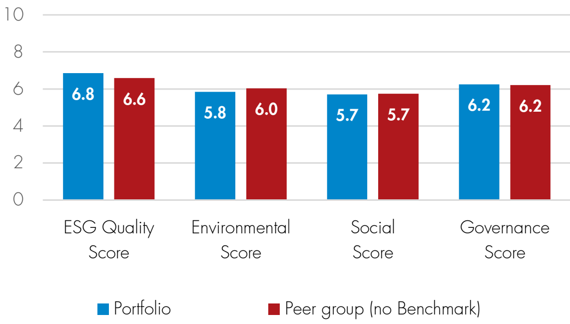
Whereas with traditional investments only the metrics of classic financial analysis are applied, responsible investments offer the added possibility of steering portfolios in a constructive direction. Incorporating ESG criteria into the investment decision-making process is designed to reduce ESG risks 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 ESG 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.

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. The peer group does not represent a benchmark. Peer groups are defined on the basis of the Lipper Global Classification Scheme.

ESG Scores



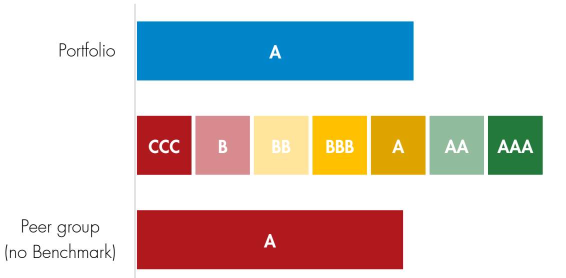
ESG rating: Comparison with benchmark

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. The peer group does not represent a benchmark. Peer groups are defined on the basis of the Lipper Global Classification Scheme.

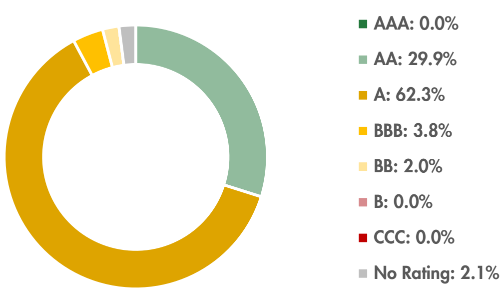
ESG rating: Distribution

Percentage-based breakdown of the securities in the portfolio on the basis of the respective MSCI ESG ratings. ESG ratings AAA and AA are classified as leaders. ESG ratings B and CCC constitute the laggards.

ESG Rating: Comparison



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
Norms-Based			
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%	☑
Values-Based			
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»	☑
Country-Based			
UN sanctions	Result = «yes»		☑
Government ESG rating	«B» or «CCC»		☑

☑ The exclusion criterion is met.

☒ The exclusion criterion is violated.

Zuger Kantonalbank

Swiss Climate Scores

Portfolio: ZugerKB Fonds – Strategie ESG Ausgewogen (CHF)
Benchmark: Investment Fund has no benchmark
Daten per: 31 May 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.

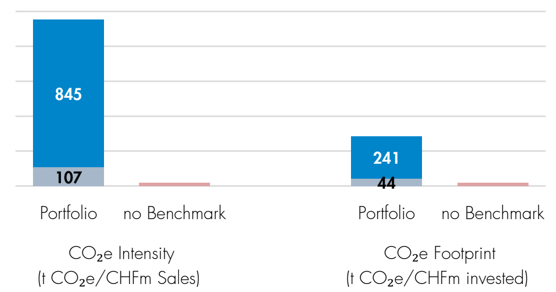
The Swiss Climate Scores are intended to provide institutional and private investors in Switzerland with comparable and meaningful information on the extent to which their financial investments are compatible with the climate goals of the Paris Agreement. They contain indicators that not only reflect 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), in-cluding relevant emissions of their suppliers and products.

CO_2e Emissions Scope 1+2 (bright) and Scope 3 (dark)

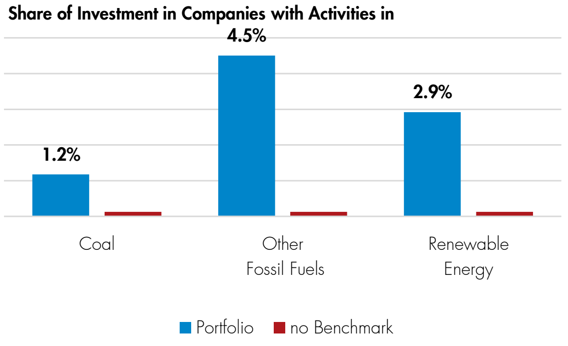


Medium estimation uncertainty

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.

Share of Investment in Companies with Activities in



Low estimation uncertainty

Data coverage: 77.7% (Portfolio)

Data provider: MSCI ESG Research LLC

Transition to Net Zero Indicators

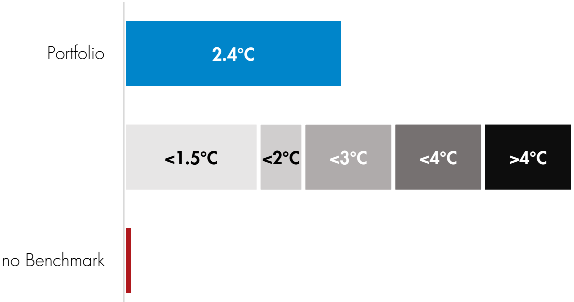
Global Warming Alignment

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.

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.

Global Warming Potential



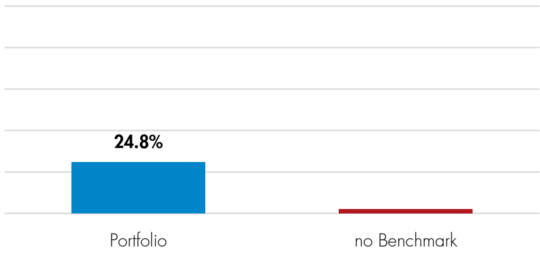
High estimation uncertainty

Data coverage: 75.8% (Portfolio)

Climate scenarios used: NGFS Net Zero 2050 Pathways

Data provider: MSCI ESG Research LLC

Verified Commitments to Net Zero



Proportion of companies with verified commitments to net zero and credible interim targets

Low estimation uncertainty

Credible Climate Stewardship

Financial institutions can contribute to the transition to net zero, notably by utilising their share-holder voting rights at general meetings of investee companies and bringing climate-resolutions into being, as well as by engaging with invested companies on third-party verified, science-based net zero aligned transition plans until 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

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 in-vestments 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_2 equivalents (CO_2e) are a unit of measurement for standardising the climate impact of different greenhouse gases. Carbon dioxide (CO_2) is the main anthropogenic greenhouse gas. Others include methane and nitrous oxide. These are expressed as CO_2 equivalents in terms of their contribution to global warming. The calculations are based on the global warming potential of each gas compared with CO_2 over a certain period. CO_2e 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_2 intensity: Absolute CO_2e 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_2e footprint: Absolute CO_2e 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.

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.

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.

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 CO2 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.

Zuger Kantonalbank

We are signatories to or members of the following organisations

Signatory of: PRI Principles for Responsible Investment

Swiss Sustainable Finance

ASSET MANAGEMENT ASSOCIATION

Wir begleiten Sie im Leben.