

ESG at Zuger Kantonalbank

ESG glossary

Adult entertainment	Adult entertainment (pornography) has a number of potential aspects that touch on unethical themes. These primarily include violation of respect for human dignity, sexual violence and discrimination, as well as links to organised crime (human trafficking, money laundering, etc.). As a result, the principles of the UN Global Compact are also violated to some extent.
Best-in-class (Positive screening)	With this approach, companies are generally identified on the basis of ESG ratings, and the company with the best ESG scores in its peer group is selected. ESG ratings measure the resilience of a company to the long-term ESG risks of relevance to its industry.
CO₂ intensity	CO ₂ intensity is a term used to describe the amount of greenhouse gas emissions contained in a portfolio. It is based on data from the past and does not give any indication of possible future development. The measurement unit “tonnes of CO ₂ per USD million of revenues” is often used in this context.
CO₂e	By calculating CO ₂ equivalents (CO ₂ e), the various greenhouse gases with their different greenhouse effects (carbon dioxide, sulphur dioxide, nitrogen oxide, methane, etc.) can be compared with one another.
Controversial weapons	Military weapons which do not make a distinction between military and civilian targets, are disproportionately damaging, or are prohibited worldwide. These include cluster munitions, land mines, anti-personnel mines, biological and chemical weapons, weapons with enriched uranium, blinding laser weapons, incendiary weapons, and weapons that use non-detectable fragments.
Controversies	This metric provides prompt and consistent evaluations of controversial situations in which the observed companies may be entangled. The assessment framework is compatible with internationally recognised standards. An overall assessment indicates whether a company’s business activity and/or products make it highly controversial, and how serious the social or environmental repercussions of the controversy in question actually are.
Conventional weapons	All weapons armed with conventional explosives – i.e. do not include atomic, biological, or chemical components. These include battle tanks, artillery systems, armoured combat vehicles, combat helicopters, and combat aircraft.
Environmental (E in ESG)	Covers themes such as climate change and energy efficiency, the promotion of renewable energies and biodiversity, and the reduction of environmental pollution.
ESG	Stands for Environmental, Social and Governance. “Environmental” covers themes such as climate change and energy efficiency, the promotion of renewable energies and biodiversity, and the reduction of environmental pollution. “Social” relates to working conditions such as the prohibition of child and forced labour, workplace safety and health, and the promotion of education and gender equality. “Governance” covers measures aimed at preventing corruption and bribery, and ensuring fair remuneration for corporate bodies, diversity in management and the independence of audit and control bodies.
ESG integration	In this approach, the findings of traditional financial analysis are combined with the incorporation of ESG factors into the decision-making process.
ESG rating	A measure of the resilience of a company to long-term ESG risks of relevance to its industry. Whereas companies with a high rating have their ESG risks and opportunities under control and are therefore less exposed to potential risks, those languishing at the bottom of the rankings (the “laggards”) do not have management processes in place for controlling these risks. Studies have shown that this feeds through into the long-term performance of these companies.
Exclusions	Companies that operate in controversial business spheres are excluded from the responsible investment universe. A fundamental distinction can be made between values-based exclusion criteria (tobacco, gambling, fossil fuels, etc.) and standards-based exclusion criteria (where the focus is on generally recognised international minimum standards).

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Gambling	Gambling can lead to addiction with significant financial consequences in a short space of time. However, surveys show that only a small proportion of the population is affected by this problem. One problematic aspect is the relative ease of accessing online gambling, for example.
Governance (G in ESG)	Encompasses measures to prevent corruption and bribery, and to ensure fair compensation of corporate bodies, diversity at senior management level, and the independence of control bodies.
Green bonds	Securities that deploy their capital in projects with specific environmental benefits (e.g. in the areas of renewable energies, energy efficiency, local public transport and water technology).
Greenwashing	When a company markets itself as sustainably positioned but actually engages in internal company practices that contradict its communicated image.
Impact investing	Investing with a view to achieving a tangible social and environmental impact, in addition to generating a financial return. Impact investments create a direct positive link to activities in society (micro-finance, social impact bonds, green bonds, etc.)
Microfinance	A type of banking service for low-income individuals or groups who would otherwise find it difficult or impossible to access financial services.
Nuclear energy	One of the most controversial forms of energy when it comes to ESG criteria, not least as it is still needed by mankind. The problem here is not so much the release of CO ₂ emissions (other than in the construction of nuclear facilities), as these tend to be very low on the operational side, but rather the unresolved aspect of radioactive waste storage. In addition, a number of examples from the past show that reactor accidents can have devastating repercussions for both mankind and the environment. At a political level, the EU Commission has categorised nuclear energy (and fossil natural gas) as sustainable in under certain conditions.
Nuclear weapons	Weapons whose explosive impact is based on nuclear fission or nuclear fusion, in contrast to conventional weapons. Nuclear weapons are counted as weapons of mass destruction.
Paris Agreement	At the Paris Climate Change Conference (COP 21) in December 2015 it was agreed by countries all around the world that global warming should be kept to well below 2° Celsius. 1.5° Celsius was agreed as the target.
Philanthropy	Philanthropic investments focus solely on the social or environmental return, and encompass any voluntary financial contribution for charitable purposes (including donations). The aim of generating a financial return is eschewed altogether.
Scope 1 emissions	Direct carbon dioxide emissions from sources owned or controlled by an institution, e.g. the burning of fossil fuels in factories or emissions from an institution's own vehicles.
Scope 2 emissions	Indirect carbon emissions connected with electricity consumed at an institution's facilities.
Scope 3 emissions	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. Scope 3 emissions are the most difficult to measure, and are therefore often excluded from comparisons.
SDG	UN Sustainable Development Goals: The SDGs or Global Goals are a group of 17 interlinked global objectives designed to serve as the basis for a more sustainable future. They were agreed through a resolution of the General Assembly of the United Nations, and are to be achieved by 2030.

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SFDR	<p>Sustainable Finance Disclosure Regulation, an EU regulation on sustainability-related disclosure obligations in the financial services sector. It covers the publication of information of financial market participants in connection with the sustainability of their investment decisions. Among other things, it prescribes that financial products should be categorised according to the following typology:</p> <ul style="list-style-type: none"> ● Article 6 funds essentially contain no sustainability criteria in their investment process. ● Article 8 funds promote environmental or social aspects ("light-green" products). ● Article 9 funds pursue an explicitly sustainable investment objective ("dark-green" products).
Social (S in ESG)	"Social" relates to working conditions such as the prohibition of child and forced labour, workplace safety and health, and the promotion of education and gender equality.
Social impact bonds	Securities whose proceeds are exclusively used to finance social projects (clean drinking water, sanitary facilities, etc.).
SRI	An abbreviation that can stand for two different things: "sustainable and responsible investing", and "socially responsible investing". Both terms imply the incorporation of social and environmental criteria into the investment decision-making process.
Standards-based exclusions	Exclusions of companies that violate internationally recognised norms and standards (e.g. human rights violations or corruption).
Sustainability	Guiding principle for commercial and environmental thinking and action. The UN World Commission on Environment and Development (better known as the Brundtland Commission) provided the following definition in 1987: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."
Thematic investing	An investment strategy in which a particular theme is pursued (renewable energies, water, gender equality, etc.). This approach focuses above all on companies that take into account ESG considerations in their decision-making process due to their specialisation in a specific area.
Thermal coal	Thermal coal is used as the key form of electricity production in large parts of the world, as it remains one of the cheapest sources of energy. However, due to its high carbon and sulphur content it is also one of the main contributors to greenhouse gas emissions and global warming. Thermal coal differs from coking coal, which has a higher energy content and releases fewer CO ₂ emissions. This latter type of coal is primarily used in metal rather than electricity production.
Tobacco	Tobacco has considerable addiction potential and is harmful to health (lung disease, almost 10,000 deaths in Switzerland annually) in a way that impacts on public health systems as well as individuals. Studies show that the annual costs borne by the taxpayer in relation to tobacco consumption amount to some CHF 3 billion, to which an annual loss-of-income figure amounting to many hundred million francs can be added according to the Federal Office of Public Health.
Traditional investments	The focus of traditional investments is the generation of an attractive financial return. ESG considerations are only taken into account to a limited degree, if at all.
UN PRI	United Nations Principles for Responsible Investment. This UN-sponsored initiative comprises an international network of investors and asset managers working together to implement principles for responsible investing in practice. Their goal is to understand the repercussions of sustainability for investors and to help signatories incorporate these aspects into their decision-making processes and ownership arrangements. www.unpri.org
Unconventionally produced oil and gas	Unconventional energy sources include the likes of oil sands, shale oil, shale gas, and Arctic oil and gas. Unconventional crude oil or natural gas has to be extracted using unconventional methods (e.g. fracking), which give rise to significant financial, energy, and environmental costs.

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United Nations Global Compact	An initiative created by the UN back in the year 2000. It is the world's largest initiative for Corporate Social Responsibility (CSR), and is geared around making globalisation fair as well as environmentally and socially acceptable. Signatories to the Global Compact support its ten principles in the areas of human rights, working standards, environmental protection, and the tackling of corruption. Ever since the adoption of Agenda 2030 for Sustainable Development, the signatories have also committed to the UN's 17 Sustainable Development Goals (SDGs). www.unglobalcompact.org
Values-based exclusions	The exclusion of companies as potential investments due to the inadmissibility of their business activities for an investor (weapons, coal, tobacco, etc.).
Further information	Other publications relating to the theme of ESG can be found on our website.

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Disclaimer

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