

ESG at Zuger Kantonalbank

Sustainability Reporting

ZugerKB Fonds – Aktien ESG USA (USD)

Benchmark: MSCI USA Index

Dates as of: 31 May 2025

ESG Report

Portfolio: ZugerKB Fonds – Aktien ESG USA (USD)
Benchmark: MSCI USA Index
Dates as of: 31 May 2025

ESG approach at Zuger Kantonalbank

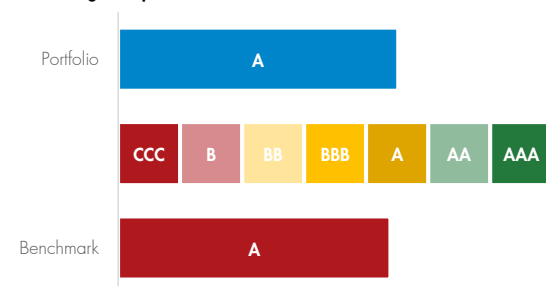
Whereas with traditional investments only the metrics of classic financial analysis are applied, responsible investments offer the added possibility of steering portfolios in a constructive direction. Incorporating ESG criteria into the investment decision-making process is designed to reduce ESG risks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

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.

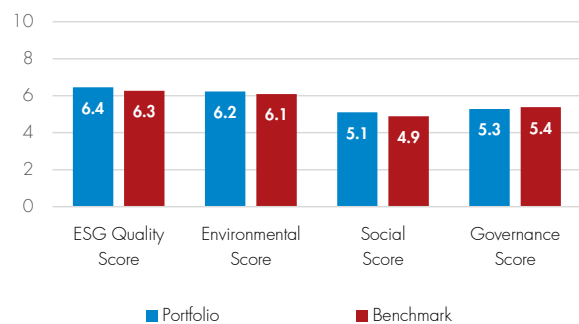
ESG Rating: Comparison



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.

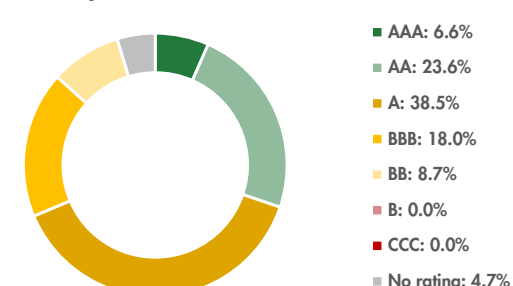
ESG Scores



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
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»	☑	☒

☑ The exclusion criterion is met.

☒ The exclusion criterion is violated.

Sustainability approaches

By applying the following sustainability approaches the investment fund implements an overall sustainable investment of the assets:

- **Exclusions (Negative Screening):** Systematic exclusion of issuers that violate defined standards or values that are closely related to sustainability objectives,
- **ESG-Integration (Positive Screening / Tilting):** Integration of ESG factors into various stages of the investment process by linking financial information to certain ESG-related aspects.
- **Stewardship (Active Ownership):** Influencing selected companies in which investments are made. This is essentially done through proxy voting (exercising shareholder voting rights) and through engagement (active dialog with companies).

Swiss Climate Scores

Portfolio: ZugerKB Fonds – Aktien ESG USA (USD)
Benchmark: MSCI USA Index
Daten per: 31 May 2025

Introduction

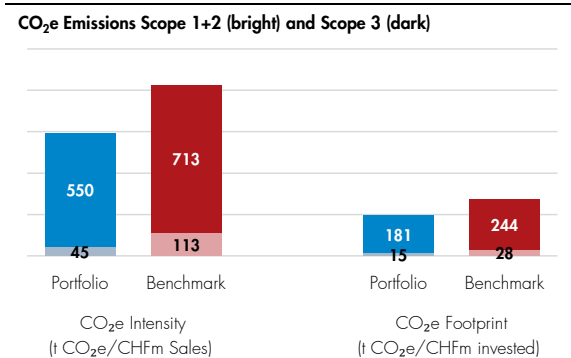
Switzerland and its financial market are committed to transitioning to net zero greenhouse gas emissions by 2050. This is needed to meet its obligations under the Paris Agreement of holding the increase in the global average temperature to well below 2°C and pursuing efforts to limit it to 1.5°C. Current 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.



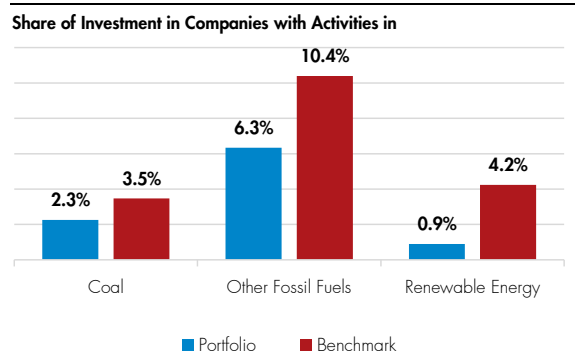
 **Medium** estimation uncertainty

Data coverage	PF S1+2	PF S3	BM S1+2	BM S3
CO ₂ e Intensity	95.3%	95.3%	99.9%	99.8%
CO ₂ e Footprint	95.3%	95.3%	99.9%	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.



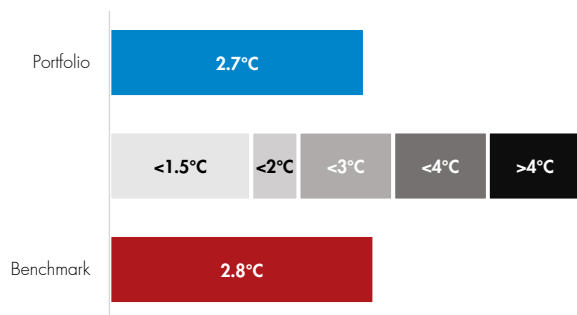
 **Low** estimation uncertainty

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: 95.3% (Portfolio) resp. 99.8% (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?

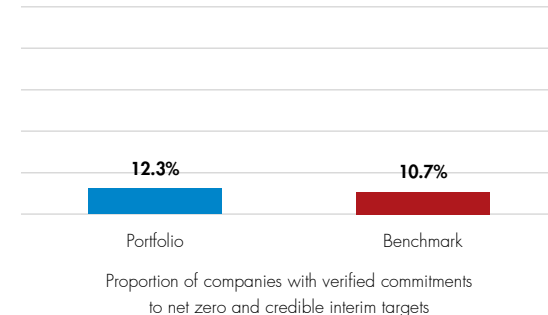
Yes No

 **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

CO₂ equivalents (CO₂e) are a unit of measurement for standardising the climate impact of different greenhouse gases. Carbon dioxide (CO₂) is the main anthropogenic greenhouse gas. Others include methane and nitrous oxide. These are expressed as CO₂ equivalents in terms of their contribution to global warming. The calculations are based on the global warming potential of each gas compared with CO₂ over a certain period. CO₂e makes it possible to standardise certain greenhouse gases in a single unit and facilitates a comparison of their effects in terms of climate change.

CO₂ intensity: Absolute CO₂e 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.

CO₂e footprint: Absolute CO₂e 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 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.

We are signatories to or members of the following organisations



Legal Disclaimer

This document has been prepared for information and marketing purposes only and does not constitute an offer or an invitation by, or on behalf of, Zuger Kantonalbank (ZugerKB) to buy or sell financial instruments or banking services. It is addressed to recipients designated by ZugerKB with residence in Switzerland for personal use and may not be reproduced, in whole or in part, changed or distributed or disseminated to any other addressees without the written permission of ZugerKB. The information in this document is given as of a specific date and has been obtained from sources that ZugerKB believes to be reliable. Nevertheless, ZugerKB cannot make any representation that the information is accurate, complete or up-to-date. ZugerKB does not accept liability for any loss arising from an investment behaviour based on the information in this document. The prices and values of investments mentioned and any income resulting therefrom may fluctuate, rise or fall. References to previous developments do not have any bearing on future results. This document does not contain any recommendations of legal nature or regarding accounting or taxes. Nor should it in any way be construed as an investment or strategy that is appropriate for or tailored to the personal circumstances of the recipient. (V2025)

Certain information contained herein (the "Information") is sourced from/copyright of MSCI Inc., MSCI ESG Research LLC, or their affiliates ("MSCI"), or information providers (together the "MSCI Parties") and may have been used to calculate scores, signals, or other indicators. The Information is for internal use only and may not be reproduced or disseminated in whole or part without prior written permission. The Information may not be used for, nor does it constitute, an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product, trading strategy, or index, nor should it be taken as an indication or guarantee of any future performance. Some funds may be based on or linked to MSCI indexes, and MSCI may be compensated based on the fund's assets under management or other measures. MSCI has established an information barrier between index research and certain Information. None of the Information in and of itself can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user assumes the entire risk of any use it may make or permit to be made of the Information. No MSCI Party warrants or guarantees the originality, accuracy and/or completeness of the Information and each expressly disclaims all express or implied warranties. No MSCI Party shall have any liability for any errors or omissions in connection with any Information herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.