

# ESG reporting in fund factsheets

As the leading bank in the Zug economic region, we are aware of our responsibilities. We think and act in a future-oriented way, and incorporate environmental and social aspects into our ambitious commercial objectives. By doing so we create added value – for our stakeholder groups and for the environment.

## Purpose

This document is intended as a guide explaining the ESG data that is published in the ZugerKB fund factsheets. All data is based on the MSCI ESG Rating calculation.

## ESG profile

**ESG Rating:** The ESG Rating measures the resilience of a company to long-term ESG risks of relevance to its sector. The best rating is AAA and the lowest is CCC. Whereas the leading companies (ratings AAA and AA) have their ESG risks and opportunities under control and are therefore less exposed to potential risks, the lower-ranked ones (ratings B and CCC) do not have such management processes in place.

**What the ESG Rating covers:** The number indicates the proportion of securities held in the fund that have an ESG Rating and contribute to the investment fund's overall rating.

**ESG Quality Score:** The fund's overall rating is expressed as an ESG Quality Score, which directly correlates with the ESG Rating. This score can range from 0 up to 10 points. The ESG Quality Score corresponds to the weighted mean of the ESG scores of the securities underlying the investment fund.

**Environmental Score (E):** The Environmental Score ranges from 0 up to a maximum of 10 points. It measures the extent to which the investment fund takes account of the relevant environmental risks and opportunities, e.g. climate change and energy efficiency, promotion of renewable energies and biodiversity, or reduction of pollution.

**Social Score (S):** The Social Score ranges from 0 to 10 points. It measures the extent to which the investment fund takes account of the relevant social risks and opportunities, e.g. prohibition of child and forced labour, job security and health, or the promotion of learning and gender equality.

**Governance Score (G):** The Governance Score ranges from 0 to 10 points. It measures the extent to which the investment fund takes account of the relevant risks and opportunities in terms of company management, e.g. measures to prevent corruption and bribery, fair remuneration of corporate bodies, diversity in the company's management bodies or impartiality of auditing bodies.

**CO<sub>2</sub> intensity, mean weighted (t CO<sub>2</sub>/\$M sales):** CO<sub>2</sub> intensity measures the extent to which a fund is invested in carbon-intensive companies. It is measured in tonnes of CO<sub>2</sub> per USD 1 million in sales. This ensures comparability, regardless of the size of the company or fund. The calculation of the CO<sub>2</sub> emissions only takes account of Scope 1 and Scope 2 emissions. Companies without any CO<sub>2</sub> data are not included in the calculation.

### The fund's ESG characteristics

**ESG integration:** Our funds apply ESG integration (in the case of equity and bond funds). This involves characterising the sustainability of the instruments in the basic investment universe by giving them an ESG score of between 0 and 10. When the fund portfolio is assembled, the asset manager exceeds the ESG score of the basic investment universe, thus also lifting the investment fund's ESG score above that of the reference index.

**Active owner:** Our funds apply voting (in the case of equity funds) and engagement (in the case of both equity and bond funds). Voting (exercising of membership rights) and engagement (active dialogue with companies) have the medium to long-term goal of bringing about improvements in corporate governance, in sustainable business operations and in the social, ethical and environmental responsibility of the companies, thereby achieving growth in shareholder value for the benefit of investors.

**Exclusion of companies with lower ESG ratings:** The companies with ESG ratings in the lowest bandwidths (B and CCC) are likewise excluded from the potential investment universe.

### Breakdown by ESG Ratings (%)

The chart illustrates the distribution of the ESG Ratings of the securities on which the investment fund is based. The weighted mean of these ESG Ratings is taken as the key parameter for the investment fund.

### Exclusion of business activities

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.

### Risks

Investments in securities are subject to certain risks. The list of examples in the factsheets is not exhaustive.

### Publications

Other publications on the subject of ESG can be found on our web page [www.zugerkb.ch/esg](http://www.zugerkb.ch/esg).

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

Signatory of:



### Contact

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