

ESG at Zuger Kantonalbank

MSCI ESG ratings

As the leading bank in the Zug economic region, we are aware of our responsibilities. We are future-oriented in the way we think and act. We integrate ecological and social aspects into our ambitious business goals. This helps us create lasting added value – for our stakeholders and for the environment.

This fact sheet is based on methodology papers drawn up by MSCI ESG Research LLC.

Summary

MSCI ESG ratings were developed to measure the resilience of an individual security or fund to long-term ESG risks as well as its ability to take advantage of the corresponding opportunities, with a view to integrating these factors into the portfolio construction process. There are seven rating levels:

AAA	Leader: Company with a leading industry position in dealing with key ESG risks and opportunities.
AA	
A	Average: Company with an average track record in managing key ESG risks and opportunities compared to industry peers.
BBB	
BB	
B	Laggard: Company lagging behind its industry due to its high exposure and inability to manage significant risks.
CCC	

Individual securities

Taking as its basis the three pillars of Environment, Social, and Governance, MSCI ESG Research LLC evaluates a large number of data points, broken down into ten themes, along with further key aspects. Here MSCI ESG Research LLC focuses on the intersection between a company's core business and the sectoral challenges that can give rise to substantial risks and opportunities for the company. MSCI calculates the dependency of each company in respect of the key ESG risks on the basis of a detailed breakdown of the company's business activity: its core products or business

segments, where its assets and revenues are located/generated, as well as other relevant factors. The analysis likewise takes into account the extent to which a company develops robust strategies and has a strong track record in terms of mastering its specific risks and opportunities. Ongoing controversies or structural controversies that have occurred over the last three years result in a reduction in the number of points allocated for each theme.

MSCI ESG ratings identify between two and seven environmental and social key issues for each company. These are sector-specific, and are evaluated on the basis of the environmental or social external factors that can give rise to unforeseen costs for a specific company or sector. Furthermore, the aspect of governance is evaluated for all companies, which involves six key governance issues being evaluated in two different thematic areas (corporate governance and corporate behaviour). Where the Environment and Social pillars are concerned, the weightings of the key issues for each sub-sector are allocated on the basis of this sub-sector's contribution to negative external effects and the expected time horizon for a core problem to materialise. Key issues and weightings are subjected to a formal review process at the end of each calendar year. For the Governance pillar, weightings are determined at the level of the pillar rather than the level of the key issue.

In order to arrive at a definitive ESG rating, the weighted average of the individual Environmental and Social key issue scores as well as the Governance pillar score is calculated and then normalised relative to ESG rating industry peers. This makes it possible to undertake comparisons of different sectors.

After any committee-level overrides are factored in, each company's final industry-adjusted score corresponds to a

rating between the best (AAA) and worst (CCC) bandwidth. These evaluations should not be viewed as absolute but are explicitly intended to be interpreted relative to a company's industry peers.

3 Pillars	10 Themes
Environment	Climate change, natural capital, pollution & waste, environmental opportunities
Social	Human capital, product liability, stakeholder opposition, social opportunities
Governance	Corporate governance, corporate behaviour

Source: MSCI ESG Research LLC

Investment funds

Scores are derived from the information on individual securities where the same data is accessible at fund level. Every fund covered by MSCI ESG Research LLC receives an overall ESG Quality Score. This amalgamates the ESG ratings at issuer level in order to provide investors with an indicative overall ESG rating,

based on the underlying holdings of the fund in question. An environment score, a social score, and a governance score are likewise calculated. Scores are awarded on a scale of 0 to 10, whereby 0 represents the lowest possible fund rating and 10 the highest. The MSCI ESG fund rating relates directly to the ESG Quality Score of the fund.

The ESG Quality Score of each fund can be compared with its peer group and shown as a percentile, whereby 0 represents the worst rating and 100 the best. In addition to the comparison with the peer group, all funds in the database can also be included for comparative purposes, which then allows a global percentile to be shown.

Publications

Other publications relating to the theme of ESG can be found on our website.

Contact: esg-investments@zugerkb.ch

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