

ESG at Zuger Kantonalbank

# ESG philosophy in the investment business

**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.**

## Strong arguments in favour of responsible investments

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.

**“Humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs.”**

Brundtland Report, 1987

Whereas many investors still had reservations about the performance of responsible investments only a few years ago, the picture has now changed. Positive development can also be observed in the area of volatility – since responsible investments tend to fluctuate in value less strongly than comparable traditional assets. Why? Because 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.

## What we mean by ESG

“ESG”, which stands for Environment, Social and Governance, has become an established term in investing in particular. Investing in accordance with ESG criteria means weighing up the corresponding opportunities and risks in these three areas when making investment decisions.



**Environmental** covers themes such as climate change, energy efficiency, the promotion of renewable energies and biodiversity, and the reduction of environmental pollution.



**Social** relates to how a company manages working conditions, such as prohibitions on child and forced labour, workplace security and health, as well as the promotion of education and gender equality.

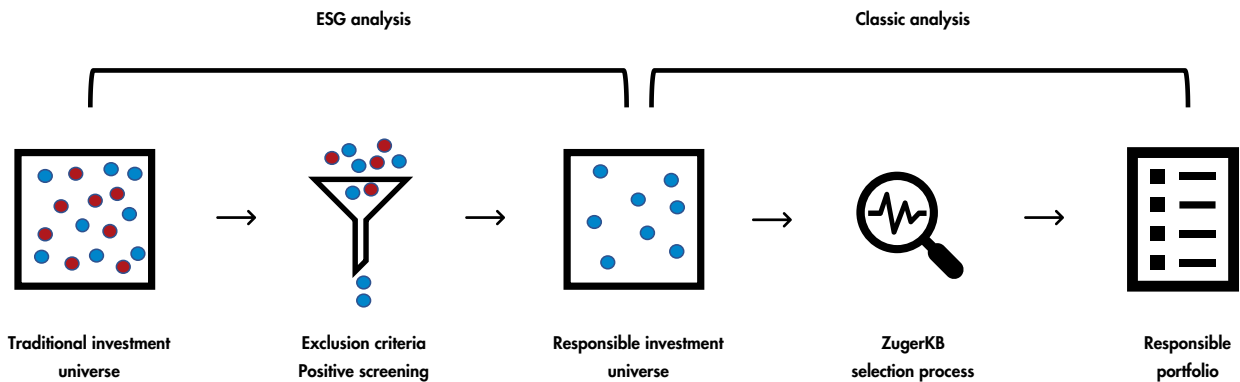


**Governance** covers measures aimed at preventing corruption and bribery, and ensuring fair remuneration for corporate bodies, diversity in management and the independence of audit and control bodies.

## Our investment approach

Our business policy is reflected in responsible investing. We advise our clients in a comprehensive and transparent way. ESG is becoming standard practice on the advisory side too, as clients require the bank to take into account ESG aspects in the investments the bank manages itself, or in those for which it offers advice and recommendations. We have therefore made it our mission to apply explicit and binding guidelines for our investment products.

Our responsible investment universe is the result of a two-step selection process. In the first step, we filter using pre-defined exclusion criteria and, in the second, we use a positive screening approach. On this basis, classic



financial analysis instruments can be used to create a responsible portfolio underpinned by a mix of both responsible and classic factors of financial analysis.

### Exclusion criteria

By applying various ESG exclusion criteria we deliberately reduce the risks that can arise through controversial business activities. Given a positive screening – based on the ESG rating – we additionally focus on companies with greater resilience to long-term ESG risks of relevance to the sector.

Taking our convictions as a basis, we have developed a set of exclusion criteria that are authoritative for Zuger

Kantonalbank. These exclusion criteria are broken down into different categories, all of which have important resonance for investors and are widely accepted accordingly. These criteria are supplemented by a filter which eliminates companies with poor ESG profiles from the investment universe.

### Publications

You can find more information on our exclusion criteria and our positive screening approach, as well as further publications relating to the theme of ESG, on our website.

Contact: [esg-investments@zugerkb.ch](mailto:esg-investments@zugerkb.ch)

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