

Managed by



**swisscanto**

# **Sustainability is our conviction**

Swiss edition – Marketing material








# Swisscanto, managed by Zürcher Kantonalbank







Zürcher Kantonalbank's Asset Management manages around CHF 300 billion (as at the end of 2024), making it the second largest asset manager in Switzerland. Experienced specialists develop high-quality investment and pension solutions for private investors, companies and institutions under the Swisscanto product brand. All of our Asset Management teams are based in the financial centre of Zurich. Zürcher Kantonalbank's Asset Management has committed itself to the Net Zero Asset Management initiative. For the actively managed Swisscanto investment funds in the traditional asset classes, a CO<sub>2</sub> reduction target is implemented as standard in line with the Paris Climate Agreement. Swisscanto investment funds regularly receive national and international awards.

# Sustainability approaches at a glance

Affects product line **Swisscanto Responsible active/Committed** (framed in green in the illustration below)

Stewardship	Controversies	ESG	Climate	Transparency
				
<b>Voting / Engagement</b>	<b>Avoidance of controversy</b>	<b>ESG integration</b>	<b>CO<sub>2</sub>e reduction</b>	<b>Sustainability report</b>
We shoulder responsibility through <b>investment stewardship</b> by exercising <b>voting rights</b> and maintaining an <b>active dialogue with companies</b> . We publish and are transparent about our voting procedures.	Exclusions to <b>avoid controversies</b> are applied to companies and countries based on clearly defined criteria.	Integration of ESG criteria for <b>more controlled risks and more informed investment decisions</b> .	Alignment with the Paris Agreement by means of a <b>reduction in CO<sub>2</sub>e emissions of at least 4% per year</b> (with a few exceptions).	Sustainability requires transparency. We prepare a <b>regular report for our customers CO<sub>2</sub>e intensity</b> and on the sustainability risks and opportunities of their investments.

## Swisscanto product range in the overview

			Sustainability approaches <sup>1</sup>					
			Stewardship	Controversies	ESG	Climate	SDGs	Transparency
								
Management style	Sustainability characteristics	Product line <sup>1</sup> Strategy	Voting/ Engagement	Avoidance of controversy	ESG integration	CO <sub>2</sub> e reduction	SDG-aligned investing <sup>2</sup>	Sustainability report
Active	Sustainable	Sustainable active Core & themes strategies	✓	✓	✓	✓	✓	✓
	Responsible	Responsible active/ Committed Core & themes strategies	✓	✓	✓	✓		✓
		Responsible real estate Swiss real estate direct	✓		✓	✓		✓
Passive	Sustainable	ESGeneration SDG ETF Core strategies	✓	✓	✓	✓	✓	✓
	Responsible	Responsible Index Core strategies	✓	✓	✓	✓		✓
	None	Traditional Core strategies	✓					

↑ Increasing the level of sustainability

<sup>1</sup> The sustainability approaches apply to all or a significant portion of the assets. Individual criteria and approaches may be implemented differently for the various product lines and asset classes. Details on the corresponding Swisscanto funds and the approaches applied can be found in the fund prospectuses under Fund Info | Swisscanto. Individual criteria and approaches may not or only partially be applied to asset management mandates.

<sup>3</sup> The "SDG-aligned Investing" approach focusses on returns through investments in companies and countries with social benefits (SDG leaders). SDG leaders use their investment power to create environmentally and socially responsible products and services. They thus contribute to the fulfilment of one or more of the UN's Sustainable Development Goals (UN SDGs). For diversification purposes, a best-in-class approach can also be used to invest in securities that are considered to have above-average positive ESG criteria (ESG leaders).

# Paris Agreement in our active investment funds with the Responsible characteristics



## Climate: CO<sub>2</sub>e reduction

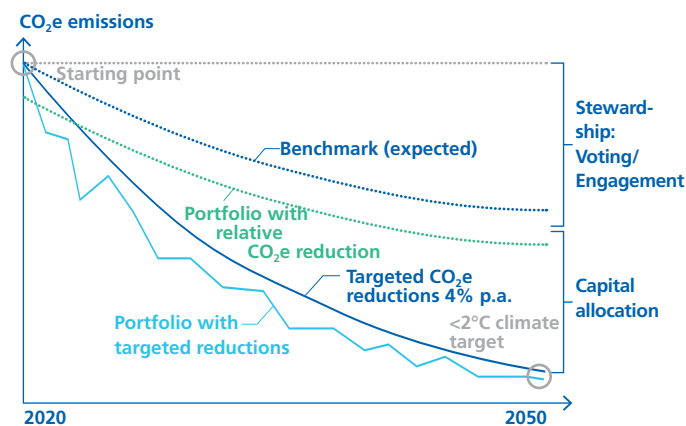
In order to limit global warming to below 2 degrees, global CO<sub>2</sub>e emissions<sup>4</sup> must fall by at least 4% each year from 1 January 2020. This is confirmed by scientific data from the Intergovernmental Panel on Climate Change (IPCC)<sup>5</sup>.

Against a background of structural change, we want to protect our investors by optimally managing assets entrusted to us with regard to newly appearing risks and opportunities. In particular, our climate strategy is therefore consistently focused on dialogue and capital allocation:

As shareholder and credit provider, we engage via active **dialogue** with companies, challenging them to formulate and implement effective goals to reduce CO<sub>2</sub>e emissions.

Via **capital allocation**, we aim to ensure that all of our active Responsible funds in the traditional asset classes have a decreasing carbon intensity that is based on the Paris Agreement as standard.

**With stewardship and capital allocation, we contribute to the implementation of the climate goal.**



Source: Zürcher Kantonalbank

In addition, we reduce CO<sub>2</sub>e-intensive companies and states that have no strategy for reducing their CO<sub>2</sub>e emissions in our allocation, in favour of more CO<sub>2</sub>e-efficient companies and states and those that pursue CO<sub>2</sub>e reduction goals.

## Climate goal

We are aligning our investment activities with a <2 degree target based on the Paris Agreement and are working towards a CO<sub>2</sub>e reduction target of at least 4% per year (with a few exceptions). We are guided by the available benchmarks for CO<sub>2</sub>e intensity, which correspond to CO<sub>2</sub>e emissions per unit of revenue or value creation. We have been transparently reporting the CO<sub>2</sub>e intensity of our investment funds since 2021.

## Implementation of the CO<sub>2</sub>e reduction goal

The target for each active portfolio that follows the absolute reduction path of our climate target is based on the CO<sub>2</sub>e intensity of the benchmark index as at the end of 2019. From this baseline value, the maximum intensity falls by two factors: firstly, by the goal to cut CO<sub>2</sub>e emissions by at least 4% per year and secondly, the value is corrected by the level of global economic growth. For companies, CO<sub>2</sub>e intensity is measured as CO<sub>2</sub>e emissions relative to revenue in USD. If the economy grows, the intensity must also fall by this nominal growth so that absolute emissions are still cut by at least 4% per year. Maximum CO<sub>2</sub>e intensity is thus as follows: Baseline value × (1 – 4%)<sup>year</sup> / (cumulative nominal growth).

<sup>4</sup> CO<sub>2</sub> equivalents (CO<sub>2</sub>e) are a unit of measurement to standardise the climate impact of the greenhouse gases carbon dioxide (CO<sub>2</sub>e), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O) and fluorinated greenhouse gases (CFCs). All of these gases remain in the atmosphere for different lengths of time and do not contribute equally to the greenhouse effect.

<sup>5</sup> Source: IPCC

# More controlled risks, more well-founded investment decisions



## Controversies: Exclusion of investments with ESG-critical business models

In our sustainable, active solutions with Responsible characteristics, we use exclusion criteria for companies that do not have a promising business model or have unacceptable reputational risks on the basis of our sustainability considerations. In addition to the exclusions of banned weapons and behaviour-based exclusions, these are companies currently associated with the following:

- Manufacture of weapons and ammunition
- Manufacturer of war technology  
(> 5% of turnover)
- UN Global Compact violations<sup>6</sup>
- Exploitative child labour
- Production of pornography
- Extraction of coal (> 5% of turnover; excluding metal production)<sup>7</sup>
- Coal reserves (excluding metal production)<sup>7</sup>

In addition to the exclusion criteria for business activities, we also maintain an exclusion list for states. This is how government bonds issued by states recommended for exclusion by SVVK-ASIR<sup>8</sup> can also be excluded.

The exclusions can be adjusted if necessary.



## ESG integration: Systematic integration of ESG criteria

ESG criteria form an integral part of our active investment process. Systematic integration should allow us to recognise the risks and the opportunities early, based on ESG trends, and enable us to turn them into added value for our customers. ESG criteria supplement the pure financial analysis, and we are convinced that they lead to more well-founded investment decisions.

- For bonds, this can result in better protection against loan defaults, as possible risks can be uncovered more effectively through detailed ESG analysis.
- For equities, the systematic analysis of ESG trends can be used to identify those companies that we believe benefit from the developments and which could therefore be able to influence our performance.

That is why understanding ESG data and integrating a robust information platform into the portfolio management system are at the heart of our strategic considerations.

<sup>6</sup> United Nations standard on human rights, labour rights, environmental standards and anti-corruption.

<sup>7</sup> Exclusion criterion can be overwritten for green and sustainability bonds.

<sup>8</sup> Swiss Association for Responsible Investments, further information: [svvk-asir.ch](https://svvk-asir.ch)

# Responsibility across the board



## Stewardship: Voting and engagement

We actively ask companies to formulate ambitious CO<sub>2</sub>e reduction targets and to consistently implement them. In addition, we appeal to companies to join the Science-Based Targets Initiative<sup>9</sup>. We are in continuous dialogue with corporate management and engage through the collaboration platform and the United Nations Principles for Responsible Investment (UN PRI) as well as various investor initiatives. Votes are actively and responsibly casted according to a sustainable oriented mindset and strategy. The voting policy is based, among others, on Swiss and international corporate governance rules and the UN PRI. The voting behaviour is transparently published on [swisscanto.com/voting](https://www.swisscanto.com/voting).

## Engagement on three pillars

- **Direct dialogue with Swiss issuers:** Our focus is to create visibility among companies as an active and sustainable asset manager by promoting best-practice ESG in the interest of our investors by leveraging on our home base expertise.
- **Collaborative engagements:** We support ESG initiatives of the UN PRI platform that are aligned with the environmental and/or social aspects of the 17 UN Sustainable Development Goals and affect entire industries.
- **Global and thematic engagements:** We prioritise compliance with the UN Global Compact principles and topics such as climate change, biodiversity, circular economy and healthy longevity. We have commissioned Sustainalytics to optimise the use of existing resources and communicate our central sustainability goals worldwide.



## Transparency

Our customers have been receiving detailed reporting on their assets in our sustainable funds in the traditional asset classes with regard to various sustainability indicators and dimensions, including:

- ESG ratings
- CO<sub>2</sub>e intensity
- Controversies
- Voting and engagement activities.

<sup>9</sup> Further information: [sciencebasedtargets.org](https://sciencebasedtargets.org).

# Active Sustainable funds with an attractive level of sustainability

Our active Sustainable product range goes one step further. We strive for returns through societal benefits by investing specifically in companies and states that can make a significant contribution to fulfilling one of the UN's 17 Sustainable Development Goals (UN SDGs) with their sustainable business model or their sustainable policies (SDG leaders).

## Sustainable Development Goals

01  No poverty	02  Zero hunger	03  Good health and well-being
04  Quality education	05  Gender equality	06  Clean water and sanitation
07  Affordable and clean energy	08  Decent work and economic growth	09  Industry, innovation and infrastructure
10  Reduced inequalities	11  Sustainable cities and communities	12  Responsible consumption and production
13  Climate action	14  Life below water	15  Life on land
16  Peace, justice and strong institutions	17  Partnerships for the goals	The global goals for sustainable development Source: <a href="https://sdgs.un.org/goals">sdgs.un.org/goals</a>

Source: UN (2016)

At the heart of the investment approach is the SDG analysis, which identifies companies, states and state-related organisations worldwide that use their innovative power to create environmentally and socially responsible products and services. We also consider purpose-linked green, social and sustainability bonds from governments and state-related organisations as SDG leaders. For diversification purposes, a best-in-class approach can also be used to invest in companies that otherwise perform above average in terms of our ESG criteria (ESG leaders).

## Six investment areas that make the difference

Alongside the UN SDGs, we focus on companies and states from six investment areas, in which we are

convinced that they contribute to the sustainable development of our environment and society. Specifically, the focus is on the following topics:

- **Water:** Water protection, water efficiency
- **Climate:** Renewable energy, energy efficiency
- **Circular economy:** Recycling, resource efficiency
- **Good health and well-being:** Nutrition, products and services for the elderly
- **Digital economy:** Networking, cybersecurity
- **Integral economy:** Knowledge, access to finance

## Multistage investment process

Besides a continuous dialogue with corporate management in accordance with the engagement guidelines and the exercise of voting rights in accordance with the fund management company's voting guidelines, all securities in our Sustainable investment universe undergo a complex sustainability process, which generally eliminates around 70% of the initial universe:

- **Exclusion criteria:** The application of extensive exclusion criteria is an integral part of the asset manager's Sustainable characteristics.
- **Best in class:** An analysis of around 45 ESG criteria identifies companies and states that perform above average according to our analysis (ESG leaders).
- **Investments in SDG leaders:** Companies and countries with the highest societal benefits and profitable growth are forecast.

## And the 1.5-degree Paris climate target?

The reduction path of our active Sustainable investment funds<sup>10</sup> has a CO<sub>2</sub>e reduction target for investments of at least 7.5% per year, plus nominal economic growth, and is aligned with the 1.5-degree climate target in accordance with the Paris Agreement.

<sup>10</sup> Thematic funds excluded: No ESG leaders and <2 degree climate target

# Our sustainable index funds and ETFs

In the Index Solutions area, the Swisscanto Responsible index funds was created for investors wanting to integrate moderate ESG criteria (ESG = environment, social and governance) into an indexed portfolio. Furthermore, in 2025, we launched the Swisscanto ESGeneration SDG ETFs, which enable investors to invest easily and simply in ETFs that include an innovative sustainable methodology with a special focus on the UN Development Goals. The Index Solutions area currently manages around CHF 160 billion in indexed investment solutions, making it the second largest index provider in Switzerland.

## Swisscanto Responsible index funds

The sustainable index fund series, launched in 2013, offers investors the opportunity to take ESG criteria into account in the index-linked portfolio. The sustainable methodology was created using our internal know-how. We currently manage assets of around CHF 40 billion in the Swisscanto Responsible index funds.

Taking into account exclusion criteria (companies with ESG-critical business models) and ESG laggards (based on the Swisscanto ESG score), the funds aim to exclude at least 20% in the case of equities or at least 15% in the case of bonds (focus on companies). In addition, the CO<sub>2</sub>e intensity is at least 20% lower compared to the benchmark index in the relevant segments. As a final step, the portfolio is optimised to minimise the tracking error. With Swisscanto Responsible index funds, investors can benefit from a specialist approach that takes into account ESG criteria, including climate risks, while meeting the requirements for an index-linked core investment.

## Swisscanto ESGeneration SDG ETFs

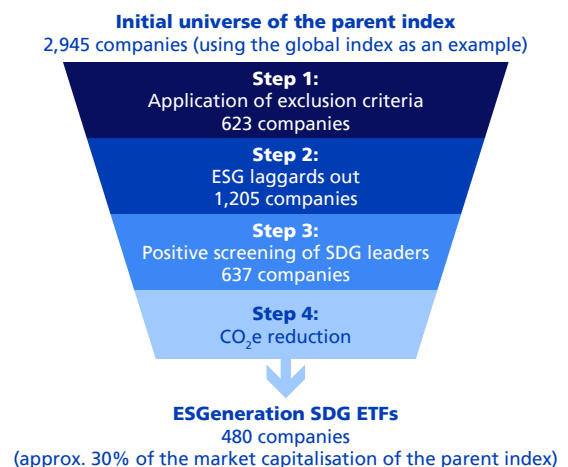
With the new sustainable equity ETFs (Switzerland, World, USA and EMU regions), we combine our expertise in the area of Index Solutions with our in-depth

experience in sustainability research. The specially created innovative approach is implemented with tailored indices calculated daily by an independent index provider. By focusing on the UN Development Goals, ESGeneration SDG ETFs give you the opportunity to invest in an innovative and future-oriented investment solution. ETFs are also easy to invest, transparent and diversified.

On the one hand, the sustainability methodology includes comprehensive exclusion criteria for companies that excessively contribute to endangering society and the environment, climate change or the decline in biodiversity. On the other hand, we apply the “laggards-out” process and the reduction of carbon intensity by at least 20% analogue Swisscanto Responsible index funds.

The focus of ESGeneration SDG ETFs is on SDG leaders – i.e. only companies that make a positive contribution to the UN’s Sustainable Development Goals (SDGs) remain in the universe. This provides an opportunity to invest in sustainable companies that already offer possible solutions to the challenges of tomorrow.

### Methodology of Swisscanto ESGeneration ETFs



Source: Zürcher Kantonalbank



# Swiss real estate directly with Responsible characteristics

## **Swisscanto real estate funds also pursue a CO<sub>2</sub>e reduction target**

In the investment process for direct real estate, an ES integration approach with the sub-aspects of environment (E) and society (S) is applied (the sub-aspect 'G' for governance is not taken into account). The environment aspect includes, for example, the energy consumption and greenhouse gas emissions of properties. The society aspect concerns accessibility and security, for example.

The real estate portfolios pursue a net zero target by 2050 of Scope 1 emissions from operations and an intermediate target by 2040. The intermediate target is an average greenhouse gas emission intensity of Scope 1 emissions of less than 2 kg CO<sub>2</sub>e/m<sup>2</sup>, which corresponds to the specifications of the BAFU Energy Perspectives 2050+ for the Swiss building park.

Furthermore, engagement activities are also undertaken: Suppliers and service providers are obliged to comply with environmental and social standards, and in the case of jointly-owned properties in use, co-owners are actively influenced and resolutions are consistently voted on. The tenants of the real estate are actively informed about sustainability issues.

Further information on Swiss direct real estate:  
[swisscanto.com/ch/en/institutional/swisscanto-fonds/real-estate-investments/direct-real-estate-investments.html](https://swisscanto.com/ch/en/institutional/swisscanto-fonds/real-estate-investments/direct-real-estate-investments.html)



**Detailed information** about the sustainable **investment solutions** from Swisscanto can be found on our website:  
[swisscanto.com/ch/en/institutional/sustainability.html](https://swisscanto.com/ch/en/institutional/sustainability.html)

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