

ESG integration

One of our sustainability approaches in the ZKB Discretionary Mandate and ZKB Portfolio Consulting (Classic, Premium, Expert, International)
Version: December 2024



ESG integration refers to the systematic inclusion of ESG criteria (environmental, social and governance) in the investment process. In both the ZKB Discretionary Mandate and ZKB Portfolio Consulting we systematically include financially relevant ESG risks and opportunities of companies and countries in our analyses.

What are ESG criteria?

The abbreviation ESG stands for Environment (energy consumption, water consumption, etc.), Social (working conditions, data protection, etc.) and Governance (compensation systems, structure of supervisory boards, etc.).

E Environmental

S Social

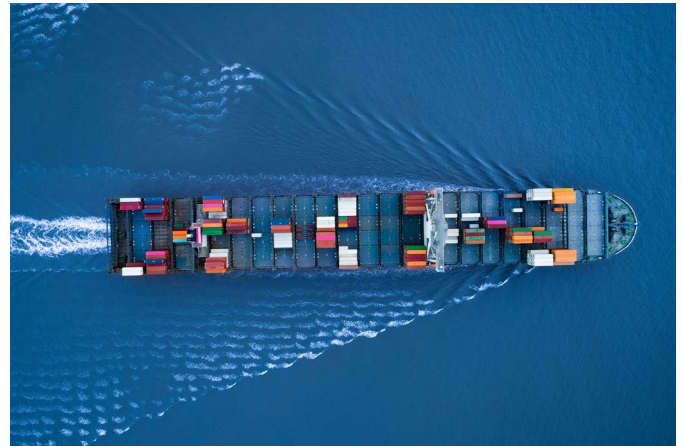
G Governance

What is meant by ESG integration?

By ESG integration, we understand systematically taking ESG criteria into consideration as part of the investment process. This means that both the ZKB Discretionary Mandate and ZKB Portfolio Consulting systematically include financially relevant ESG risks and opportunities of companies as well as countries in the research process and analyses. The evaluation is based on the ESG rating, which we obtain from the external data provider MSCI ESG Research LLC.

What does the MSCI ESG rating tell us?

The MSCI ESG rating measures the environmental, social and governance-related financial risks and opportunities of companies as well as countries. As ESG risks and opportunities for companies vary significantly depending on the sector, the assessment is made in comparison to



companies in the same sector. The focus of the ESG rating is on how the company deals with these risks and opportunities, and not on the sustainability benefits of the products manufactured or the services provided.

The classification is based on a scale from AAA to CCC. AAA and AA are used to describe the leading companies in their respective sector as well as the leading countries, while ratings from A to BB are considered average. Companies and countries with an MSCI ESG rating of B or lower are labelled as laggards.

How is ESG integration implemented?

In the reference portfolios¹ of the ZKB Discretionary Mandate and ZKB Portfolio Consulting, we use investment instruments with an MSCI ESG rating of BB or higher. At portfolio level a minimum rating of A is defined, if such a rating is available. The MSCI ESG rating at portfolio level is calculated as the weighted average of the ESG ratings of the investment instruments

¹ The reference portfolio describes the investment decision made in the investment process. The ZKB Discretionary Mandates are invested in line with the reference portfolio. In the ZKB Portfolio Consulting the reference portfolio is used as an investment proposal and as the basis for comparison in portfolio monitoring.

contained in the portfolio and relates to the portion of the portfolio for which an MSCI ESG rating is available. The rating at portfolio level is only displayed if an MSCI ESG rating is available for at least 75% of the investment instruments in the portfolio.

Since the client makes the investment decisions with the ZKB Portfolio Consulting and thus determines the composition of the advisory portfolio, the MSCI ESG rating of the client portfolio may differ from that of the corresponding reference portfolio. The client is informed about such deviations.

For more information on our sustainability approaches, please contact your client advisor.

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