

Active Ownership Report

Investment Stewardship –

Reporting Period Q4 2021 – Q3 2022



Swisscanto

by Zürcher Kantonalbank

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Foreword

Our understanding of sustainability is based on the holistic approach of ESG integration (Environmental, Social and Governance) and investment stewardship. The integration of ESG criteria into our investment process as a third dimension alongside risk and return enables us to take a holistic view of the opportunities and risks of our investment decisions. To safeguard the risk-return profile of our investments and to promote best-practice ESG standards among issuers globally, investment stewardship is an integral and important element in our investment process. We provide our clients with comprehensive and transparent information on ESG criteria and their impact on the portfolio. With the three dimensions and investment stewardship we fulfil our fiduciary duty and social responsibility.

In addition, our goal is to actively contribute to climate protection through our investments. Against a background of major structural change, we also want to protect our investors by optimally managing assets entrusted to us with regard to new or emerging risks and opportunities. Our climate strategy is therefore consistently focused on dialogue and capital allocation.

In line with the best available science on the impacts of climate change, we acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and for asset managers to play their part in helping to deliver the goals of the Paris Agreement and ensure a just transition. In this context, we are a signatory of “The Net Zero Asset Managers” initiative and have committed ourselves within our sustainable product line to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to well below under 2°C. For more details about our sustainability strategy and efforts in general and across our asset management capabilities, please consult our brochure «Sustainability is our conviction»¹.

Besides climate, our next major focus will be on biodiversity and the circular economy. After having joined the forum of the TNFD, we will collaborate on elaborating the roadmap for biodiversity.

Iwan Deplazes
Head Asset Management

Dr René Nicolodi
Deputy Head Asset Management

¹ [zkb.ch/en/home/asset-management/sustainability.html](https://www.zkb.ch/en/home/asset-management/sustainability.html)

Purpose of this report

This report describes our investment stewardship activities and priorities over the course of Q4 2021 to Q3 2022. It also gives an outlook of our current and future stewardship priorities. Investment Stewardship is essentially risk management for the triple-impact bottom line (risk, return and sustainability). By duly and responsibly exercising voting rights and keeping up our engagement efforts with issuers, we will mitigate the risk that business models and industries are not adapting to best-practice ESG standards, which ultimately has implications for our capital allocation. We are issuing this report to transparently provide detail on our investment stewardship activities for our responsible, sustainable and traditional product lines and all asset classes, except for our (direct) real estate and private markets investments.

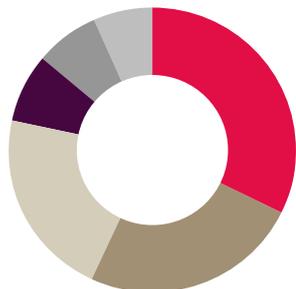
The following sections give an overview about our Assets under Management and related distribution per asset classes as per end of September 2022. Our stewardship efforts focus mainly on issuers of equity and fixed income instruments:

Product Lines



	Bio. CHF	%
■ Sustainable	12.4	6
■ Responsible	91.8	46
■ Traditional	96.1	48

Asset Classes



	Bio. CHF	Total	Active	Passive
		200.3	105.9	94.3
■ Fixed Income		65.0	35.3	29.7
■ Equity		49.2	14.0	35.2
■ Multi-Asset		43.0	30.7	12.4
■ Real Estate		15.4	12.8	2.6
■ Alternative Solutions		14.7	0.2	14.5
■ Overlay Solutions (only)		12.9	12.9	0.0

Source: Asset Management of Zürcher Kantonalbank / as of September 30, 2022

1 Investment stewardship

Through our investment stewardship, we seek to promote sustainable business practices while fostering compliance within renowned international principles and widely accepted ESG best-practice standards. In general, this includes promoting compliant practices, checks-and-balances principles, adequate pay-for-performance, environmental protection and climate change stewardship, supporting biodiversity, fair labour practices, non-discriminatory work, and the protection of human rights and other relevant best-practice ESG topics. Our investment stewardship comprises the following active ownership elements:

- With proxy voting, **Swisscanto Fund Management Company Ltd.** and **Swisscanto Asset Management International S.A.** (both hereinafter “**Swisscanto**”) actively and responsibly cast their votes according to a sustainable oriented mindset and strategy.
- By engaging actively with issuers, we promote best-practice ESG standards and convey our climate change message and strategy (the **asset management of Zürcher Kantonalbank** under the brand of **Swisscanto by Zürcher Kantonalbank** is here in the lead, hereinafter “we”).

Overall, our investment stewardship activities are based on **three pillars**:

Engagement

Proprietary guiding principles for engagement: promotion of best-practice ESG standards and climate message via direct dialogue through us and engagement partner “Sustainalytics”.

Proxy Voting

Proprietary principle-based sustainability voting policy promoting best-practice ESG and climate-related resolution by actively exercising voting rights.

Capital allocation

Strong and proprietary investment philosophies with a focus on sustainable and responsible investing (across all active products): sustainable and climate-friendly capital allocation with a focus on return generation.

The **three pillars above have strong interactions with each other** as shown by the following **illustrative example** with our general instruments to implement our climate strategy with issuers:



Source: Asset Management of Zürcher Kantonalbank

More information about our sustainability strategy can be found here:

zkb.ch/en/home/asset-management/sustainability/sustainable-investment-funds.html

2 Recent highlights and developments in investment stewardship

More than ever, the consideration of ESG issues and criteria is becoming increasingly important in our stewardship activities. While corporate governance issues still dominate at annual general meetings (AGMs), the focus of our engagement discussions is shifting clearly also on the dimensions E (Environment) and S (Social). Those shareholder resolutions at AGMs are at centre of our proxy voting in the USA, while Europe is still catching up and seeing an increased number of shareholder resolutions driven by environmental and social considerations.

Climate change currently in focus

In the context of our engagement dialogue, climate change is the prominent element for us and for issuers globally. We ask companies to explain to us how they intend to shape and achieve their ambitious greenhouse gas emissions (“GHG”) reduction targets. We are particularly interested in the medium-term targets and the accountability of responsibilities in this regard at management level as well as on the board of directors and in management compensation plans. There is still room for improvement, particularly with the last two elements. Transparent reporting on ESG objectives and activities is also addressed. In addition, we sense that issuer’s interaction with ESG data providers shows potential for improvement in many cases.

Accountability for Sustainability

While certain issuers have already implemented a dedicated sustainability committee on their board of directors, certain other issuers are opting to make the entire board or just the chairperson accountable for sustainability matters. We see it as beneficial that accountability in terms of sustainability is clearly defined at board and first and foremost at management level. A transition to a more sustainable economy also means a change in business models with varying degree of scope, relevance, and materiality.

Digitalisation/technology expertise on the board of directors

Besides accountability in terms of sustainability at board level, we are witnessing a growing number of initiatives to bolster the technological expertise of boards and management teams. Primarily during the pandemic, most corporates sought to strengthen their supply chain and digitalise the entire business process to make them more resilient in times of crises. We welcome these initiatives and actively encourage companies to adopt a more strategic mindset when it comes to sourcing, optimising business processes and digitalising, which is ultimately the key to secure the long-term value generation of firms and reaching a net-zero society by 2050².

Sustainability and diversification of sourcing within the supply chains

Companies generate significant GHG emissions outside their own sphere of activity – known as Scope 3 emissions. In general, the Scope 3 data and related quality is still in an early stage and so far, mainly a model. Few companies have started to report their Scope 3 emissions. We are therefore committed to ensuring that companies also identify the resource and energy risks of their supply chains and include them in their reporting. In addition, the continuous review of other key ESG issues such as fair labour conditions and human rights compliance forms an important part of sustainable supply chain management. Overall, we are noticing a trend towards reshoring and/or localisation of supply chains among issuers from developed markets. We are calling on companies to ensure that best-practice ESG is also implemented in their supply chains.

² Digital transformation (weforum.org).

ESG KPIs as part of (long-term) variable compensation

As part of our climate engagement, we actively ask issuers to implement ESG and, in particular, climate-related key performance indicators (KPIs) in their management compensation schemes. Only a small number of companies are meeting this call for accountability in terms of ESG, and this partly due to the still uncertain path of certain issuers regarding climate and/or determining which ESG KPI are the most relevant for their industries.

The EU Taxonomy will help in this regard in clarifying and identifying the material and relevant KPIs for an issuer. If their climate path is clear – such as with a commitment to Science Based Targets initiative (SBTi) – issuers are in our view more likely to consider an implementation of climate and/or ESG KPI's in their compensation. We believe that the relatively low weighting of these ESG KPI in the current schemes and the fact that in most cases that these metrics are implemented in the short-term incentives (instead in the long-term incentives) reflects issuer-driven hesitation primarily in regard to yet unclear further sustainability-driven regulation and soft law requirements or reliable measurability. We hope this perception will change and these ESG KPIs will be reflected more prominently along traditional value generating KPIs such as ROIC³, ROE⁴, EVA⁵ and relative TSR⁶ in compensation schemes. We think it is imperative for listed issuers to respect this call for a shareholder aligned Pay-for-Performance which also reflects ESG more prominently and the transition of the underlying economy and corporates towards more sustainable goals, i. e. the UN Sustainable Development Goals (UN SDGs) et al.

Duration of mandate of auditing companies

The topic of “auditor rotation” will become prominent in June 2023 at the latest, when, according to the regulation of the European Parliament (No. 537/2014), a change of audit firm must take place after a maximum of 10 years. This requirement aims to promote the independence of an audit and strengthen its quality. In accordance with our proxy voting guideline, we are today voting against the ratification of an audit firm if it has been mandated continuously for a period of more than 20 years. This duration will be aligned in 2023 with the respective EU regulation.

In the Swiss capital market, the average mandate duration of SPI companies is 15.2 years, 27.8% of the index has an auditor mandate lasting of more than 20 years. Among SMI companies, more than 35% have had the same audit firm for over 20 years. Numerous global companies also have significant potential for improvement in this respect: 349 of 673 companies analysed and headquartered outside Switzerland have an audit firm tenure of more than 20 years. In the context of our corporate dialogues (direct engagements), we are actively highlighting this need for an auditor rotation.

Developments

Going forward, we envisage that the GHG emission plans and targets will be discussed and scrutinised along with aspects of sustainable supply chains. Circular economy considerations leading to a more efficient resource utilization as well as biodiversity will dominate our stewardship activities over the next few years. At the core of all our stewardship activities will be:

- fostering best-practice ESG standards among issuers and industries
- promoting solutions with regards to the UN SDGs.

³ Return on invested capital: assess a company's efficiency in allocating capital to profitable investments.

⁴ Return on Equity: profitability of a business in relation to the equity.

⁵ Economic value added: return generated over and above investors' required rate of return.

⁶ Total shareholder return: profit generated from all capital gains and dividends from a company's shares during a holding period.

3 Proxy voting

Swisscanto's proxy voting activities aim, besides promoting the UN SDGs, to responsibly fulfil its fiduciary duties by casting votes diligently according to a sustainability-oriented principle-based and proprietary policy to protect investment returns and to foster better ESG performance across issuers and foremost the investee companies (i.e. minimise the risks of investments).

3.1 Approach

Proxy voting is performed for Swisscanto's investment funds that are invested in listed direct equity investments. Swisscanto follows a sustainability-oriented proxy voting policy which is annually updated with its renowned external proxy voting provider and our asset managers. Within proxy voting, Swisscanto supports ESG-related resolutions and thus supports and complements our engagement goals. Swisscanto's sustainability proxy voting guideline and voting behaviour are disclosed at [swisscanto.com/voting](https://www.swisscanto.com/voting). To perform Swisscanto's proxy voting responsibilities, the services of a renowned third-party specialist are used to provide proxy voting research based on Swisscanto's proprietary sustainability proxy voting guidelines and to facilitate the execution of votes at all relevant company shareholder meetings worldwide. Our asset management and legal department support the relevant Swisscanto fund management companies with internal expertise and review the individual voting recommendations so that the votes are implemented in the investor's interest. For Swiss issuers, we review the proxy statement in a six eyed principle and these rationalisations are implemented in our digital investment platform for portfolio managers and analysts.

3.2 Founder and family friendly policy

Conflicts of interest may result in decisions being made against the interests of shareholders. Most of the Board of Directors must be independent members. When casting votes, we take care to ensure that the ratio of non-independent and independent members of the Board of Directors is equal.

An exception is made for listed companies with significant shareholders. In this case, their proportional representation in accordance with their equity stake is allowed if the company has a uniform capital structure and the "one share, one vote" principle is respected. Provided that shareholder value has been created, we pursue a family-shareholder and founder friendly policy in the elections of the Board of Directors.

3.3 Support for sustainability resolutions

At AGMs, we support resolutions designed to improve good corporate governance in the long term in accordance with recognised principles or to enforce environmental, social and governance (ESG) aspects, as long as these are appropriate and sensible for the company's current value creation (along its value chain) or fit the company's strategic orientation. Among other things, we support shareholder proposals that promote measures and introduce guidelines and reports with respect to:

- the responsible handling of resources (e. g. increasing resource efficiency or the promotion of renewable energy and recycling)
- mitigating climate change (e. g. reducing greenhouse gases)
- improving human rights standards (e. g. the promotion of fair working conditions and transparency to promote equal pay)
- promoting data privacy
- improving product safety and compatibility
- promoting best practice for corporate governance (e. g. increasing the transparency of remuneration or disclosing the results of votes casted at AGMs)
- avoiding conflicts of interest (e. g. disclosure of political contributions)
- supporting relevant and appropriate sustainability-oriented shareholder resolutions at AGMs.

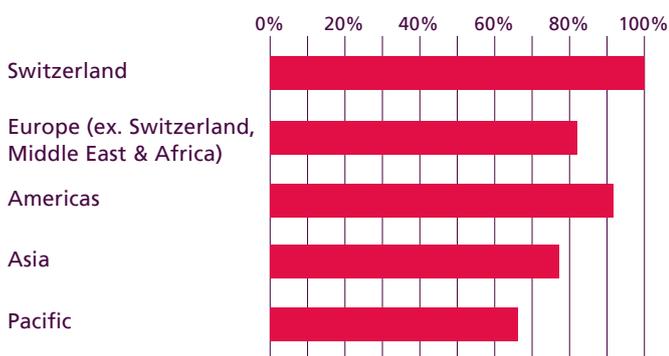
3.4 Proxy voting activities and charts

In most cases, Swisscanto is among the top 10 or 15 shareholders of certain issuers in Switzerland. Whereas Swisscanto holds a stake of around 101 bps / CHF 95.7 million on average among Swiss issuers.

The stake among international issuers, relevant for voting, amounts to 3 bps/CHF 3.8 million, mainly in North America and Europe. Within the emerging markets, Swisscanto's stake averages 4 bps/CHF 2.2 million. The following overview shows the distribution of total assets in direct equity investments, broken down by region.

In general, Swisscanto casts votes in all its significant equity investments. This is especially the case in the Swiss market where Swisscanto have a voting ambition of 100% in its equity investments. In the case of international investments Swisscanto considers cost-benefit rationales (in certain markets the costs clearly outweigh the value of our positions). In the markets outside Switzerland, Swisscanto casted its votes on 88% of all assets in direct equities, converted in Swiss francs (including Switzerland, this proportion rises to 94%).

% of votes based on votable assets



Regional split of eligible assets for voting*



* Taking into account the proxy voting markets (transactional) and threshold of CHF 5 million per non-Swiss issuer.

Source: Swisscanto/as of September 30, 2022

The number of votes cast has significantly increased over the last few years. On one hand, Swisscanto lowered the voting threshold and more strongly refined its proprietary Sustainability Voting Guideline towards more sustainability-oriented elements, while on the other asset valuations have increased, which has led to a higher number of AGMs being voted at. Below is an overview of our current voting thresholds:

- With direct equity investments in companies domiciled in Switzerland, Swisscanto casts its votes comprehensively across all investments.
- With direct registered equity investments in companies domiciled outside Switzerland, Swisscanto casts its votes at the shareholder meetings if the position of the shares held exceed/s the market value of CHF 5 million, respectively.

The voting on the share positions held is carried out across all fund products, i.e. throughout active, passive, and private label fund products. Excluded from the reported proxy voting activities are our private equity investments.

In the period of October 2020 to September 2021, Swisscanto voted at 1,044 AGMs and in the period of September 2021 to September 2022 we voted at 1,073 AGMs.

Shareholder meetings	2022 ^(A)	%	2021 ^(A)	%
Total votes casted at shareholder meetings	1'073	100.0	1044	100.0
– thereof ordinary general meetings	992	92.5	946	90.6
– thereof Swiss issuers	215	20.0	201	19.3

(A) 1 October (previous year) to 30 September

Source: ISS Proxy Exchange

Swisscanto casts its votes in the most important financial markets and regions. This is primarily driven by our effective and primarily active investments in issuers. The main voting markets are North America, Europe, Japan, and emerging markets. The most important voting markets in Europe are Switzerland, followed by the UK, France, Germany and the Netherlands.

Market	2022^(A)	%	2021^(A)	%
USA	406	37.8	418	40.0
Switzerland	215	20.0	201	19.3
Japan	82	7.6	98	9.4
United Kingdom	46	4.3	51	4.9
Canada	45	4.2	36	3.4
France	32	3.0	34	3.3
Australia	31	2.9	19	1.8
Germany	30	2.8	22	2.1
Netherlands	26	2.4	23	2.2
China	17	1.6	14	1.3
Sweden	17	1.6	17	1.6
Ireland	14	1.3	13	1.2
Cayman Islands	14	1.3	11	1.1
Hong Kong	14	1.3	13	1.2
Denmark	10	0.9	8	0.8
Brazil	10	0.9	8	0.8
Other markets	64	6.0	58	5.6
Ergebnis	1'073	100.0	1'044	100.0

(A) 1 October (previous year) to 30 September

Source: ISS Proxy Exchange

Around one third of the companies in which Swisscanto exercised its voting rights are in the industrial and financial sector. Another third is health care, ITC, and consumer goods companies, which reflects Swisscanto's investment exposure.

Sector	2022^(A)	%	thereof Swiss issuers^(A)	%
Industrials	184	17.1	52	24.2
Financials	175	16.3	38	17.7
Healthcare	139	13.0	37	17.2
Information Technology	126	11.7	20	9.3
Consumer Discretionary	102	9.5	19	8.8
Real Estate	78	7.3	16	7.4
Materials	77	7.2	13	6.0
Consumer Staples	63	5.9	11	5.1
Utilities	46	4.3	6	2.8
Communication Services	46	4.3	2	0.9
Energy	37	3.4	1	0.5
Ergebnis	1'073	100.0	215	100.0

(A) 1 October (previous year) to 30 September

Source: Swisscanto

At the 1,073 AGMs, Swisscanto responsibly voted on over 19,609 agenda items, of which 14.4% were against the management recommendation, according to its sustainability-oriented policy. Besides the routine items, such as approving the financial statements and dividends, the most important voting topics were:

- Board elections (e. g. independence, no dual mandates CEO/chair)
- Compensation-related matters (pay-for-performance)
- Environmentally and socially oriented shareholder resolutions, especially in North America (we envisage that, going forward, more E-&S-resolutions will also be held in Europe as thresholds for shareholder resolutions are lowered, such as in Switzerland where the planned commercial law revision comes into force from 2023)

Alignment with management

	2022 ^(A)	%	In line with management	%	Against management	%
Total items voted at shareholder meetings	19'609	100.0	16'786	85.6	2'823	14.4
– thereof Swiss issuers	5'396	27.5	4'488	83.2	908	16.8
– thereof non-Swiss issuers	14'213	72.5	12'298	86.5	1'915	13.5

Voting instructions	2022 ^(A)	%	For	%	Against	%	Other	%
Total items voted at shareholder meetings	19'609	100.0	16'655	84.9	2'300	11.7	654	3.3
– thereof Swiss issuers	5'396	27.5	4'433	82.2	919	17.0	44	0.8
– thereof non-Swiss issuers	14'213	72.5	12'222	86.0	1'381	9.7	610	4.3

(A) 1 October (previous year) to 30 September

Source: ISS Proxy Exchange / Q4 2021 to Q3 2022

In the period from Q4 2021 to Q3 2022, Swisscanto supported 610 out of 803 **shareholder proposals**, which corresponds to an approval rate of 76%. Most shareholder proposals were related to environmental and social items, where our approval rate was higher at 97% and 89%, respectively.

Proposal Category	2022 ^(A)	Voted for	%	Voted against	%	Other	%
Audit-related	14	10	71.4	4	28.6	0	0.0
Company Articles	15	3	20.0	12	80.0	0	0.0
Compensation	38	33	86.8	5	13.2	0	0.0
Corporate Governance	93	84	90.3	8	8.6	1	1.1
Director Election	66	20	30.3	10	15.2	36	54.5
Director-related	76	64	84.2	12	15.8	0	0.0
E&S-blended	43	20	46.5	22	51.2	1	2.3
Environmental	121	117	96.7	1	0.8	3	2.5
Miscellaneous	51	8	15.7	42	82.4	1	2.0
Non-routine Business	10	8	80.0	2	20.0	0	0.0
Routine Business	3	0	0.0	3	100.0	0	0.0
Social	273	243	89.0	24	8.8	6	2.2
Total	803	610	76.0	145	18.1	48	6.0

(A) 1 October (previous year) to 30 September

Source: ISS Proxy Exchange / Q4 2021 to Q3 2022

4 Engagement strategy

We believe that investors are well positioned to promote ESG best practices in their investments, particularly with significant participations. After identifying the companies for engagement, we develop an engagement strategy that describes how we want to achieve the desired goal. This deals with the priorities, the order in which different topics are dealt with, and the tools that we will use in the dialogue. The strategy also allows us to measure progress and successes along the way:

Maximising operating performance in the area of sustainability

We want companies to maximise the sustainable operating performance of their company and ensure that their investment plans have been critically tested in terms of environmental, social and governance impacts (UN SDGs) and their ability to create long-term shareholder value, e. g. total shareholder return (TSR) or economic value added (EVA).

Focusing on significance

We expect companies to conduct a materiality analysis to identify priority areas around ESG and to optimise their sustainability efforts. Based on the results of this assessment, a sustainability policy and strategy should be developed to measure, understand and communicate performance and progress. Measurable qualitative and quantitative targets should be set in order to manage the changes more effectively. Companies should also publish a sustainability report that includes their progress in addressing key issues, preferably as an integral part of their annual report. A sustainability report should be a platform for communicating sustainability performance and impact, whether positive or negative. As a result, the relevant sustainability and financial targets should be included in management compensation plans that are externally verifiable and measurable (ambitious and relative ESG key performance indicators (KPIs) should act as incentives.

Engagement reporting

Besides this active ownership report, quarterly engagement reports summarise the engagement activities undertaken by our external engagement partner on our behalf, i.e. global and thematic engagement.

The Code of Conduct of Zürcher Kantonalbank⁷, which deals with potential conflicts of interest, also applies to our activities. This means that our engagement is not in any way influenced by customer relationships of Zürcher Kantonalbank.

Our engagement activities are based on the following three main types: direct dialogue mostly with Swiss issuers, collaborative engagements and global & thematic engagements. The following overview shows the number of engagements per engagement type, in total **447 engagements** during Q4 2021 to Q3 2022.



Source: ISS Proxy Exchange

⁷ <https://www.zkb.ch/en/legal/conflict-of-interest.html>

4.1 Engagement approach

In general, when working with issuers, we take the following engagement approach (esp. escalation strategy):

	1. Investor relations
	2. CFO/CEO level 3. Board level (issuer-induced engagement traditionally starts at this level)
	4. A Adjusting proxy voting (voting against discharge, members of the board of directors, remuneration and/or resolutions) and/or B Considering the submission of a corresponding shareholder resolution to the Annual General Meeting and/or
	5. Underweighting a specific issuer
	6. Divestment as a last resort if the risks have increased, the violation is very serious and significant and the engagement is unsuccessful.

Engagement topics that we discuss are driven either by issuers (pull engagement) or us (push engagement) and focus mainly on ESG matters along also with fundamental aspects. The severity of the respective issues dominates the agenda in most of the cases, such as UN Global Compact breaches, climate and GHG-Reduction measures and targets, proxy voting implications and other material and significant ESG issues.

We consider terminating the engagement to be the last option and are continuing the efforts to engage for as long as there is meaningful progress and effort from a company. However, we think that in general over a period of ~12 -36 months engagements can produce a desired outcome, but this depends highly on the readiness of the respective issuer to engage. After such period, we tend to close the case, if there is no reasonable progress. As last escalation step, we might consider selling the instruments of an issuer, if there is no progress regarding the envisaged outcome. Following the decision to sell, we can also inform the company, if possible.

The choice of engagement methods is highly dependent on the context and corporate culture. Normally, we initiate communication through e-mails and phone calls and then use all available engagement tools, from constructive dialogue to proxy voting. In general, an engagement follows a structured process:

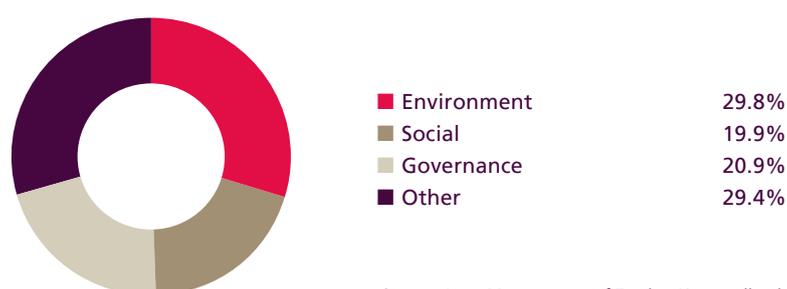
Steps	Period	Note
Initial meeting	From a few days and up to 3 weeks	Developing an understanding of strategy, ESG risks and dealing with allegations or issues
Follow-up discussion	Shortly after the initial meeting	Defining the change objective and sharing the proposed measures
Interim	A few days after the meeting	Reviewing progress and revising proposed measures if necessary
Follow-up meeting(s)	A few weeks or months after the first meeting	Assessing progress and discussing emerging issues
Ongoing improvements	Progress reported in "engagement reporting"	Potentially revising the change objective and proposed measures

4.2 Direct dialogue

For Swiss companies, we take advantage of our strong home market position (see also section 3.4 about our voting stakes). Our equity holdings are regularly among the top 10/top 15 equity holdings of the constituents of the SMI, and we are in dialogue with around 100 to 200 Swiss companies (almost all liquid SPIs). We are also in direct dialogue with international issuers, but our main focus is Switzerland, where there is an active and often regular interaction with issuers especially on proxy voting matters and lately increasingly also more on environmental and social dimensions as shows the pie chart below. In general, the focus is on materially relevant ESG issues (i.e. UN Global Compact Principles, proxy voting topics, climate change and/or other generally recognized ESG best practice standards) by means of a constructive and productive dialogue in which we advise companies on ESG best practices. In essence, we put forward the investor's views.

4.2.1 Direct dialogue activities and charts

In the period Q4 2021 to Q3 2022, we conducted 257 direct engagements, divided according to the theme environment, social, governance and other topics.



Source: Asset Management of Zürcher Kantonalbank

In the reporting period, our engagements mainly focused on sectors like industrials and financials and healthcare in Switzerland, while internationally the top three sectors of our engagement efforts were in industrials, consumer discretionary and financials.

Sector	Swiss Companies	exSwiss Companies	Total
Industrials	24	29	53
Financials	16	22	38
Healthcare	16	19	35
Consumer Discretionary	2	27	29
Materials	8	14	22
Information Technology	1	20	21
Real Estate	18	1	19
Consumer Staples	7	9	16
Utilities	2	9	11
Energy		6	6
Communication Services		4	4
Communication Services		1	1
Consumer Discretionary		1	1
Other (Government)		1	1
Total	94	163	257

Source: Asset Management of Zürcher Kantonalbank / as per Q4 2021 to Q3 2022

4.2.2 Case studies

Below you will find a selection of engagement case studies where we invested most of our resources to improve the ESG profile of these issuers, mitigate our risk to our investments, clarify proxy voting matters and/or alleviate related issues and address some specific topics. We performed more engagements than the following case studies (see appendix) but believe that these are the most relevant and material direct engagement cases during the reporting period, respectively over the last three years.

Barry Callebaut AG, Switzerland

Sector	Consumer Staples
Topic	Child labour in the supply chain
Period	Q2 2019 – ongoing
Summary	We have been in regular contact with the firm on matters of supply-chain compliance in terms of child labour and recently followed up on this matter. Although the situation during the pandemic became more challenging, the firm continued to actively tackle supply-chain compliance by implementing more controls. In fact, it has implemented this matter in its new strategy called “Forever Chocolate” with a clear aim to eradicate child labour from its fragmented supply chain by 2025. While this statement and initiative are highly welcomed, we are constantly following up with the company on its progress in this regard.
Status	Engaged

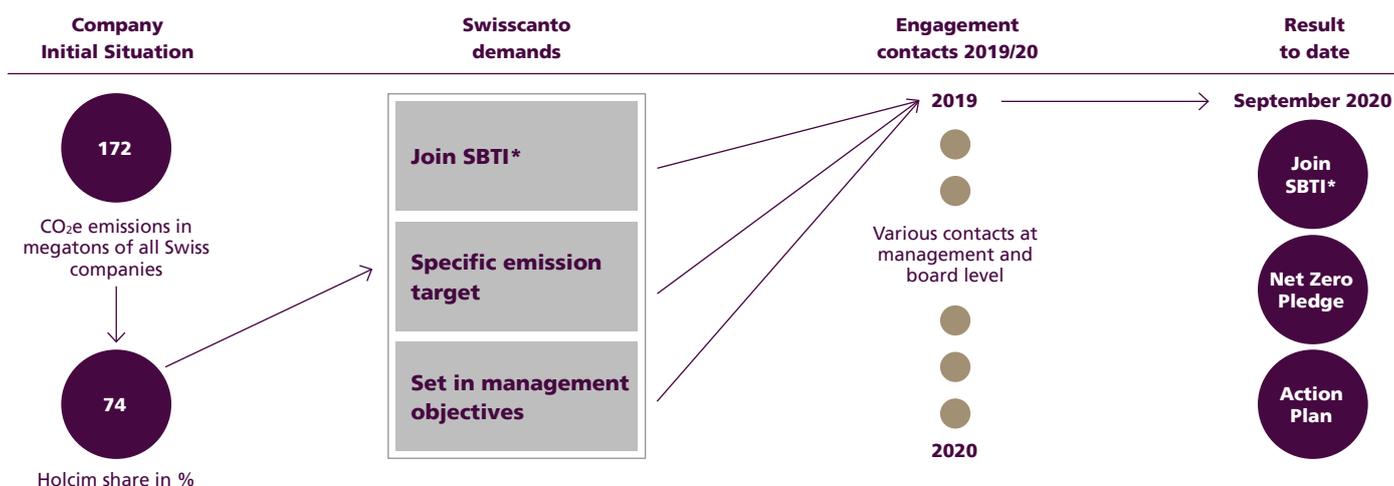
Georg Fischer, Switzerland

Sector	Industrials
Topic	Compensation report at AGM rejected: compensation scheme was subsequently refined to reflect more ambitious targets and shareholder’s interest
Period	2017 – 2019
Summary	At the AGM on April 19th, 2017, the 2016 compensation report of Georg Fischer (GF) was rejected in a consultative ballot on a margin of 55.19% by the shareholders. This was the first time in Switzerland where such a compensation-related AGM item was not granted approval since the new regulation say-on-pay (VegüV) came into force in 2013. Basically, the compensation scheme was not too ambitious as also outlined by proxy voting advisory firms. In addition, a substantial portion of equity awards for members of executive management were not subject to performance conditions. In a series of constructive interactions with GF during 2017-2019 and based on other investor’s feedback, GF’s board has formulated more ambitious compensation incentives and realigned the pay for performance to shareholder interest. GF introduced a relative total shareholder return criteria and aligned the EPS value targets better with its own new strategic agenda. This led to the subsequent approval of their compensation report at following shareholder meetings.
Status	Solved

Holcim Ltd., Switzerland

Sector	Materials
Topic	Decarbonisation strategy
Period	2019 – ongoing
Summary	Over the course of several years, we have been regularly engaging with Holcim’s board of directors and management, which ultimately led to success by culminating into the major milestone of Holcim committing to an ambitious decarbonising strategy, Science Based Targets Initiative (SBTi) and a net-zero pledge. This was achieved partly due to the collaborative efforts by the entire international and local finance industry actively and vividly questioning Holcim’s current business model and carbon footprint. Not only did Holcim commit to reducing its GHG emissions but it has also included this as a KPI in its management compensation. Moreover, Holcim issued sustainably-linked bonds that in the case of failure to meet its targets would lead to a higher payment of debt interest. The talks with Holcim were constructive at different levels, whether at board or management (Head Sustainability, HR, R&D, et al.) level, and will likely remain so to safeguard the good progress made on the chosen path to decarbonise its business (e. g. zero emissions/green cement etc./carbon capture).
Status	Engaged

Holcim reflects a state-of-the-art engagement case in terms of our climate strategy and related stewardship aims that we are pursuing. Below are the engagement efforts and interactions with Holcim in illustrated form:



* Science-based Target Initiative

Source: Holcim, SBTi, Climate Action 100+, Asset Management of Zürcher Kantonalbank / as per September 2020

dormakaba Holding AG, Switzerland

Sector	Industrials
Topic	SBTi Commitment & auditor-rotation
Period	2021 – ongoing
Summary	During our regular exchanges with the firm’s representatives and foremost during our engagement in Q3 2021, the company notified us that they consider validating their GHG-emission reduction targets according to SBTi; a major milestone, which they will further elaborate on at their upcoming capital markets day. In addition, we have stressed the importance of the regular auditor rotation. PWC has served the company for more than 110 years. According to the EU regulation (No 537/2014) as of June 2023, the tenure of a particular statutory auditor or audit firm may not exceed a maximum duration of 10 years (Articles 41 and 17). According to the company statements during our talks in Q3 2021, it will change its auditor over the next three years. This marks a major milestone towards corporate governance best-practices.
Status	Engaged

Gurit Holding AG, Switzerland

Sector	Materials
Topic	Improved ESG reporting
Period	Q4 2000 – Q3 2021
Summary	Although the company was initially hesitant to improve their ESG-related disclosure, we managed to show them the benefit of having a state-of-the-art ESG reporting, especially since their products are highly sustainable (composite material used in wind turbines). Several talks took place over the reporting period and Gurit ultimately improved its ESG rating at the widely known and respected ESG rating provider in Q3 2021.
Status	Solved

Lonza Group AG, Switzerland

Sector	Healthcare
Topic	Nitrous oxide leakage in Valais
Period	Q4 2020 – Q4 2021
Summary	During Q4 2020, we and another local Swiss bank collaboratively approached Lonza to clarify the situation of the nitrous oxide leakage from its plant in Visp, in the canton of Valais. Some press reports stressed that Lonza was rather hesitant to remedy the situation. While we showed some understanding that due to the pandemic there are distortions in the delivery of the catalysator/filter ordered to remedy this leakage, the company reassured us it was taking all measures needed to address and close this matter diligently and in a timely manner. The company did ultimate stop this leakage before the end of 2021 as their supplier was finally able to deliver the catalysator.
Status	Solved

Volkswagen AG, Germany

Sector	Consumer Discretionary
Topic	Decarbonizing strategy
Period	2019 – Q1 2021
Summary	We have been in frequent engagement talks with Volkswagen since 2019. The first talks focused on increasing awareness of electric vehicles and decarbonising strategies in mobility. But since the Dieselgate scandal (we voted against almost all AGM items) and related change in their entire management and strategy, the automotive powerhouse has clearly shifted gear to opt electric vehicles (EVs) by investing heavily in this corporate venture for a complete changeover toward carbon-neutral mobility. In September 2020, VW received confirmation from the SBTi that the Group's climate targets meet the conditions for limiting global warming to "well-below 2 degrees Celsius." In addition, VW is once again participating in the UN Global Compact since February 2021, which marks the end of the Dieselgate.
Status	Solved

Siemens AG, Germany

Sector	Industrials
Topic	Decarbonising strategy
Period	Q1 2020 – Q1 2021
Summary	During our engagement talks with Siemens in Q1 2020, we stressed the importance of seeing Siemens committing to ambitious GHG emissions reduction targets and other relevant sustainability frameworks. Siemens said it would consider such commitments and a year later in February 2021 announced several such commitments and joined up for a series of sustainability initiatives, including the Climate Group's RE100, EP100 and EV100, and the Science Based Targets initiative (SBTi). Within the SBTi, Siemens AG has committed to reduce absolute scope 1 and 2 GHG emissions by 50% by 2030, from a 2019 base year. Siemens AG has also committed to reduce absolute scope 3 GHG emissions by 15% by 2030, from a 2019 base year.
Status	Solved

boohoo group Plc, United Kingdom

Sector	Consumer Discretionary
Topic	Labour rights - supply chain
Period	Q2 2020 – ongoing
Summary	Boohoo should ensure not sourcing from suppliers that violate workers' rights. Boohoo should establish a human rights verification programme in its supply chain, in particular an effective grievance mechanism to which workers in the supply chain have access.
Status	Engaged

4.3 Collaborative engagements

Collaborative engagements are effective and enable investors to speak with a strong “common voice” when addressing common ESG issues. It takes on a variety of forms including investor letters and broader investor initiatives such as topical coalitions and campaigns.

We engage in collaborations with other investors or institutions whenever necessary and appropriate. We believe that the best way to drive improved market practices and ESG best-practice standards is through active membership of collaborative platforms, such as:

- United Nations’ Principles for Responsible Investment (UN PRI),
- European Fund and Asset Management Association (EFAMA),
- Asset Management Association Switzerland (AMAS),
- Swiss Sustainable Finance (SSF), and
- European Sustainable Investment Forum (Eurosif).

For each of these platforms, we identify and prioritise our collaborative engagement activities within these memberships. Collaborative engagements are effective and enable investors to speak with a strong “shared voice” when dealing with common ESG issues. This takes many forms, including investor letters and broader investor initiatives such as current coalitions and campaigns. We evaluate collaborative engagement and participate in areas where we can add value through our market position and insights in line with our engagement strategy and proxy voting guidelines, for example through initiatives targeting Swiss and international companies on the topic of climate change, which is important for our overall thematic focus.

The focus is to promote best-practice ESG in entire industries and to achieve environmental and/or social goals (i.e. 17 UN SDGs). These collaborative engagements are mostly driven by the UN PRI platform, but opportunistic direct interactions with companies by Swisscanto whether on a standalone basis or selectively with other investors also take place. In addition, we support various ESG initiatives such as ClimateAction100+, TCFD, Climate Bond Initiative et al. The most recent memberships and collaborative initiatives are shown in the appendix under item 8.4. and published as a complete overview under the link zkb.ch/en/home/asset-management/sustainability/investment-stewardship.html.

4.4 Global standards engagement

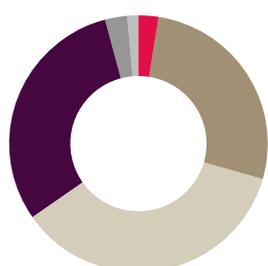
In order to complement our global and thematic engagement activities, but primarily to communicate our strategy to reduce greenhouse gas emissions on a global level, we have engaged Sustainalytics, which acts as our external engagement provider. It works on our behalf and on behalf of other investors at more than 300 global companies per year on the topics of human rights and labour rights, environmental and business ethics as well as other relevant ESG matters (in line with our focus on direct dialogue).

4.4.1 Selecting companies for engagement

We select companies for engagement on the basis of relevant significant investments and the violation of international conventions and standards such as the UN Global Compact Principles, OECD Guidelines for Multinational Enterprises, International Labour Organization (ILO) standards and/or other generally recognised ESG best-practice standards. Engagements are prioritised according to the severity of the violations. However, the engagement can also be carried out on a situational basis and as required.

4.4.2 Global standards engagement activities and charts

The following overview shows the headquarters and the sectors of the **78 companies (82 engagements)** during Q4 2021 to Q3 2022:



■ Switzerland	2.6%
■ Europe (ex Switzerland)	26.9%
■ United States and Canada	35.9%
■ Asia/Pacific	30.8%
■ Africa/Middle East	2.6%
■ Latin America and Caribbean	1.3%

Sector	Number of companies	Sector	Number of companies
Banks	10	Industrial Conglomerates	2
Software & Services	7	Oil & Gas Producers	2
Diversified Metals	6	Commercial Services	1
Utilities	6	Consumer Durables	1
Automobiles	5	Food Products	1
Chemicals	5	Food Retailers	1
Healthcare	5	Media	1
Pharmaceuticals	5	Precious Metals	1
Machinery	3	Refiners & Pipelines	1
Technology Hardware	3	Retailing	1
Aerospace & Defense	2	Steel	1
Consumer Services	2	Telecommunication Services	1
Diversified Financials	2	Textiles & Apparel	1
Electrical Equipment	2	Total	78

Source: Sustainalytics

Most of our international engagements performed by our engagement partner Sustainalytics focus on environmental and social issues. The run rate during the reporting period amounted to **~80 cases**, and those engagements run over several months and/or years. In general, an engagement takes roughly 18-36 months to have a fruitful outcome. In the reporting period, **11 engagements** were resolved. The focus of the engagements during the reporting period was on the following topics and issues (UN Global Compact):

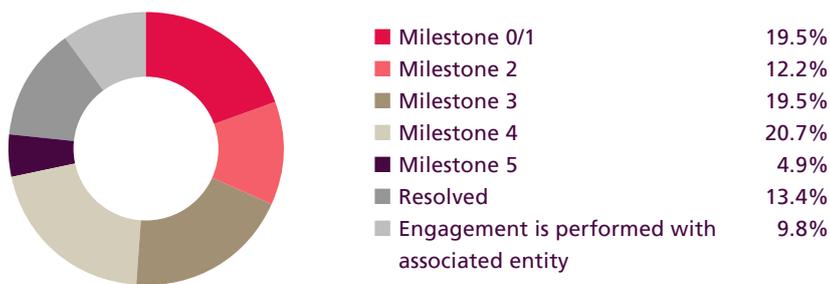
Business Ethics	26
– Accounting and Taxation	1
– Bribery and Corruption	7
– Business Ethics	7
– Consumer Interests - Business Ethics	5
– Money Laundering	6
Environment	6
– Activities Resulting in Adverse Environmental and Human Rights Impacts	4
– Incident(s) Resulting in Negative Environmental and Human Rights Impacts	1
– Leaks, Spills and Pollution - Environmental and Human Rights Impacts	1
Human Rights	41
– Activities Resulting in Adverse Human Rights Impacts	1
– Community Relations	1
– Community Relations - Indigenous Peoples	2
– Consumer Interests - Human Rights	1
– Data Privacy and Security	2
– Incident(s) Resulting in Negative Human Rights Impacts	1
– Involvement With Entities Violating Human Rights	16
– Labour Rights	2
– Nuclear Weapons	1
– Occupational Health and Safety	1
– Quality and Safety	1
– Quality and Safety - Human Rights	11
– Social Impact - Products	1
Labour Rights	9
– Child Labour	1
– Discrimination and Harassment	2
– Forced Labour	1
– Forced Labour - Supply Chain	1
– Freedom of Association	4
Engagements	82

Source: Sustainalytics / as per Q4 2021 to Q3 2022

There were only few changes over certain quarters as engagement takes time to materialise meaningfully. It should be noted that a change in the progress of an engagement case is a big step forward in implementing measures to mitigate any ESG issues. The achieved milestones as of end of September 2022 are shown below.

The milestones have been defined as follows:

- Milestone 1: Issuer acknowledges issue and commits to mitigation and management.
- Milestone 2: Issuer establishes a strategy to address the issue.
- Milestone 3: Strategy is well formed and has moved into early stages of implementation.
- Milestone 4: Implementation of strategy has advanced meaningfully, and related issuer disclosures are maturing.
- Milestone 5: Issuer has implemented all aspects of its strategy that are reasonable to expect, and the change objective is considered fulfilled.



Source: Sustainalytics

Our engagement partner measured and assessed the engagement progress in 61 cases, as shown in the chart below. In around half of the cases standard progress was made, while in about a quarter of the engagements, the progress was good to very good.



Source: Sustainalytics

4.4.3 Case studies

Below you will find a selection of engagement case studies which were performed by Sustainalytics on our behalf. We regard these cases as relevant and material for our investment universe and therefore want to highlight them below.

Equifax, United States

Sector	Industrials
Topic	Data privacy and security
Period	Q4 2017 – Q4 2020
Summary	In September 2017, Equifax Inc publicly disclosed a data breach of personally identifiable customer information that may have affected as many as 148 million US citizens, up to 15 million UK citizens, as well as around 19'000 Canadians. The company's data was breached in mid-May 2017, and this remained undetected by the company until the end of July 2017. In September 2017, the company's CEO, the chief information officer and the chief security officer resigned as a result of the incident. The objective of this engagement by our engagement partner was for Equifax to ensure that the company puts in place adequate internal controls and risk management procedures to manage cybersecurity risks. The company was proactive in updating our engagement partner on strategy implementation. Equifax has been delivering on its three-year strategy running through the end of 2020 and implemented multiple upgrades in its cybersecurity programme.
Status	Solved

Walmart Inc., United States

Sector	Consumer Staples
Topic	Labour rights
Period	Q2 2003 – Q3 2022
Summary	For more than two decades, Walmart has been at the centre of controversies over low wages, overtime pay abuses and discrimination. Engagement with Walmart has been longstanding and included conference calls at regular intervals in recent years, as well as email communication. Though the engagement process was challenging at first, Walmart has become more open to engaging in dialogue with stakeholders. Most importantly, it has improved its preparedness to mitigate impacts and manage risks regarding labour and working conditions.
Status	Solved

Tesla Inc., United States

Sector	Consumer Discretionary
Topic	Responsible cleantech
Period	Q1 2021 - ongoing
Summary	In the scope of our responsible cleantech engagement by our engagement partner, some progress was made over the reporting period on ESG matters related to GHG emissions reduction within the supply chain, responsible battery supply chain and related sourcing of materials as well as on workplace and employee engagement.
Status	Engaged

China Gas Holdings Ltd., China

Sector	Utilities
Topic	Quality and safety
Period	Q4 2021 - ongoing
Summary	<p>On 13 June 2021, a gas pipeline owned by Shiyan Dongfeng Zhongran City Gas Development Co Ltd, which is a subsidiary 85% owned by China Gas Holdings Ltd, exploded. The explosion caused devastating damage to commercial and residential buildings in Shiyan, Hubei province, China. Due to the accident, 26 people were killed and over 100 people injured, including 30 seriously injured. The Chinese authorities investigated, concluding that the direct cause was the severe corrosion and cracking of the pipe. The leaking gas accumulated in cavities in the underground river and then exploded upon contact with an ignition source, believed to be cooking units. The accident exposed illegal construction, long-term failure to investigate and rectify hidden dangers, chaotic property management, and improper on-site emergency response. The investigation determined that Shiyan Dongfeng Zhongran City Gas Development Co. Ltd. was directly responsible for the accident. 11 people in charge of the company were suspected of committing crimes, and the company has imposed administrative penalties in line with the government investigation.</p> <p>Change objective: China Gas should provide clarification of the remediation and provide support in a timely manner for victims, besides the compensation promised. China Gas needs to implement industry-standard safety practices and quality controls across its infrastructure network, including regular inspections of the gas pipe system, and real-time monitoring of gas line pressure.</p>
Status	Engaged

Bayer AG, Germany

Sector	Pharmaceuticals
Topic	Quality and safety
Period	Q2 2018 – ongoing
Summary	<p>The focus of this engagement is on its issues with its glyphosate - based products (Roundup) which Bayer has exposure to through the Monsanto acquisition in 2018. This is due to the numerous chemicals which have been problematic over a lengthy period of use. These chemicals are primarily attributed to its acquisition of Monsanto, which had a legacy of producing chemicals with harmful side effects such as PCBs and dioxins which are both persistent in the environment and harmful to humans. Most recently the Monsanto product Roundup has caused many tens of thousands of litigation lawsuits in the US, due to the active ingredient glyphosate which has allegedly been linked to cancer.</p> <p>Change objective: Bayer (formerly Monsanto) should ensure that it has a policy and procedure for the disclosure of health, safety, and environmental data to both regulators and consumers.</p>
Status	Engaged

Orpea SA, France

Sector	Healthcare
Topic	Quality and safety
Period	Q2 2022 - ongoing
Summary	<p>The book “Les Fossoyeurs” raised four allegations against Orpéa. Some of the allegations were confirmed by the company’s own audit and the investigation of the French authorities. 1) On the low quality of care, Orpéa was reported to ration incontinence pads and food to clients. That could be a result of having insufficient care providers and building the staff incentive system entirely based on financial performance. 2) On the misuse of public funds, Orpéa allegedly falsified documents and did not return budget surpluses to authorities. 3) On conflict of interest, Orpéa was accused of building privileged relations with public servants for their advantage. 4) On the violation of employment law, Orpéa was said to have misused temporary labour contracts, hindered union activities and freedom of association, and discriminated against some employees. Orpéa rejected the allegation of poor care quality but admitted that there are gaps to be addressed.</p> <p>Change objective: Orpea should cooperate with authorities to aid investigations, resolve outstanding proceedings if necessary, and make meaningful public disclosures. Orpéa should take steps to align its policies, governance, risk management framework and grievance mechanisms to international quality and safety standards. The company should measure effectiveness of its efforts via robust monitoring, reporting and communicating, and take steps to transform its corporate culture to avoid similar issues in the future.</p>
Status	Engaged

3M Co., United States

Sector	Industrials
Topic	Activities resulting in adverse environmental and human rights impacts
Period	Q4 2019 – ongoing
Summary	<p>While 3M ceased its decades-long production and sales of PFOA and PFOS in the early 2000s, the adverse impacts of the company's activities are ongoing, as the chemicals are extremely persistent in the environment and resistant to typical environmental degradation processes. Investigations by a number of US states have shown that the contamination is widespread, with the chemicals present in rivers, groundwater, drinking water wells and landfills. The PFAS pollution is also a financial burden on local governments: the installation of drinking water filters can cost several millions of dollars, while more permanent solutions can be far more expensive. Allegations of newly confirmed contaminated locations, resulting in new lawsuits, have arisen in recent years. In October 2021, 3M agreed on a USD 98 mn settlement over pollution allegations of the Tennessee River. The company also agreed to pay USD 12 mn to cease a potential class action against it, which would have been brought by Alabama drinking water customers.</p> <p>Change objective: 3M Co. should provide greater clarity and public disclosure on its PFAS stewardship initiative and how it is mitigating potential liability from the historic sale/use of its products outside of the US. In addition, the company should explain how it is applying the lessons learnt from PFAS to its product development.</p>
Status	Engaged

Southern Copper Corp., United States

Sector	Diversified Metals
Topic	Leaks, spills and pollution – environmental and human rights impacts
Period	Q2 2018 – ongoing
Summary	<p>In August 2014, the Buenavista copper mine in Mexico, operated by Southern Copper Corporation's (SCC) subsidiary, Buenavista del Cobre, suffered a toxic spill of 40,000 cubic metres of wastewater containing copper sulphate and heavy metals from a tailings pond. The spill reached two Mexican rivers – the Bacanuchi and Sonora – and impacted a 200-mile area and seven municipalities downstream. The company recently submitted a report covering results of the five years of monitoring undertaken by the company since the spill, but this is not yet publicly available. The ongoing legal action by an NGO asks the authorities to increase transparency on the nature of the agreement with Grupo Mexico regarding remediation, how the remediation plan was approved and how the authorities evaluated those measures were fulfilled. As part of this legal process a public information meeting should be held. This was scheduled for January 2021 but has been delayed due to covid-19. The companies' latest disclosures demonstrate a marked improvement in their policies and operational practices. Ensuring that all of the companies' plans and intentions are put into action will form the next part of the engagement. The current evidence suggests that the improved environmental management systems have been successful, and the company has not reported any new incidents.</p> <p>Change objective: Southern Copper Corporation should consult with affected communities and authorities to address concerns over shortcomings in the remediation and compensation measures taken. The company should mitigate any remaining negative impacts of the spill and address shortcomings in compensation measures. Southern Copper Corporation should strengthen its management of its tailings storage facilities to meet international tailing dam standards.</p>
Status	Engaged

4.5 Thematic engagement

As part of our focused engagement themes, we work cooperatively with companies on key ESG topics to raise industry standards in accordance with the UN Sustainable Development Goals (UN SDGs). These enable us to play an active role in tackling key shared sustainability challenges by encouraging companies to proactively deal with specific ESG risks and opportunities.

While our engagement for companies includes a broad ESG spectrum focused on international norms and conventions, our thematic engagement focuses on the following core areas which are mostly performed in collaboration with our external engagement partner:

In general, the core area of our focus with thematic engagement is also on environmental issues, in specific climate change and related topic such as cleantech, water, biodiversity and circular economy. Besides these core topics, we do also pay attention with our specific thematic engagements to issues within the supply chains and related human rights as well as on the governance of SDGs.

4.5.1 Core focus areas: Environmental

Climate change

We want to contribute to mitigating climate change by promoting energy and resource efficiency, renewable energy, and the reduction of greenhouse gases. We are actively committed to fighting climate change through global coalitions and initiatives, direct dialogue and the engagements of our external engagement partner. We also pursue an active, climate-friendly capital allocation strategy and can selectively underweight portfolio holdings and/or sell parts of the portfolio (e.g. coal and other fossil fuels) to pursue climate-related objectives.

Focus of our thematic engagement with Sustainalytics on climate change:

Thematic cooperation with the steel and cement sectors, which are key emitters and have the potential to be key elements in the transition to a low-carbon economy. The priorities are:

- coordinate with the Science Based Targets Initiative (SBTI)
- improve transparency and governance at board level, in line with common systems such as CDP and TCFD
- absolute and efficiency-relevant CO2 emissions targets with corresponding incentive programmes, based on science, where appropriate

Focus of thematic engagement with our engagement partner on responsible cleantech:

Cleantech has the potential to play a significant role in promoting the transition to a low-carbon economy. However, the growing supply of cleantech products is not only an important part of the response to climate change, it also poses environmental and social challenges. Engagement aims to improve company actions and information related to the way raw materials are produced, how products are manufactured and how products can be recycled after use.

Biodiversity

We help preserve the diversity of habitats and species. Working with companies, we are committed to actively protecting biodiversity and publishing the relevant data in their company reports that assess risks.

Circular economy

A circular economy seems to be an ideal alternative to the linear model of “take, manufacture and dispose”. This model ensures that we make optimal use of limited resources by reusing or reprocessing products that would otherwise end up in landfill. It makes sense both ecologically and economically, and companies, the community and investors can benefit a lot from this sustainable model. Various initiatives, such as the UNO Sustainable Development Goals, call for greater resource efficiency in consumption and production (responsible supply chains), the sustainable use of natural resources and a significant reduction in waste through prevention, reduction, recycling, and reuse. For this reason, we encourage issuers to focus on and implement various measures such as emissions reduction, resource efficiency, recycling and the substitution or reduction of toxic substances and plastics. Key drivers include the introduction of improved technologies and operating procedures, the development of environmentally friendly products and services, and customer awareness.

4.5.2 Other focus areas: Mainly Social

Human rights

We respect and support the protection of internationally recognised human rights as defined by the United Nations, including the rights to life, freedom, security, fair working conditions and equal opportunities, as well as childrens' rights. Our human rights obligations are based on international conventions and standards such as the UN Global Compact, as companies are expected to act in adherence to internationally recognised standards.

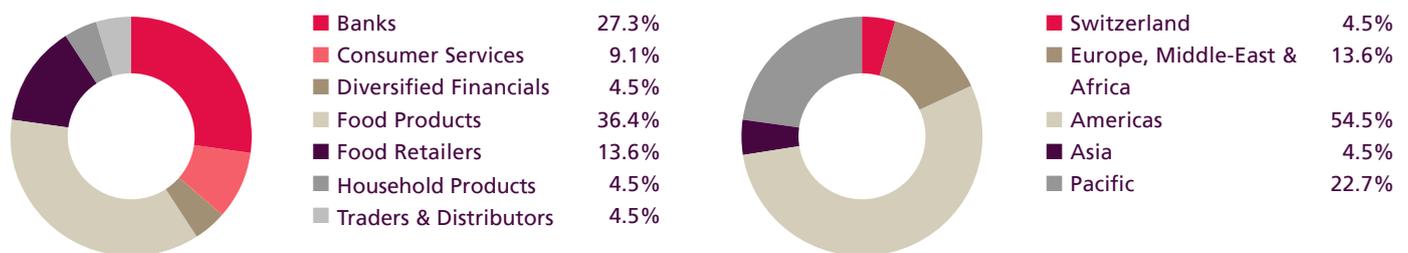
4.5.3 Activities and charts

We are currently involved in the following thematic engagements where our engagement partner is mostly in the lead when discussing specific KPIs with the issuers (see appendix for a detailed list of issuers):

Climate change – Sustainable forests and finance

At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning, and risk management, for long-term value creation in forestry value chains.

The following pie charts show the sectors and locations (headquarters) of the **22 engaged companies** in this thematic engagement:



Source: Sustainalytics

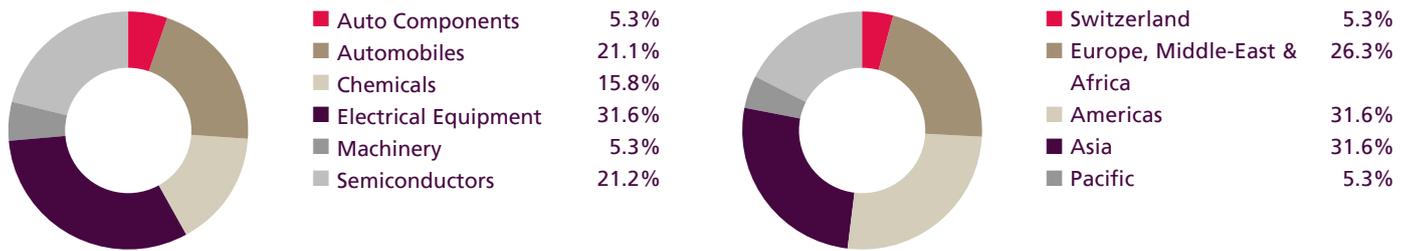
The focus within this thematic engagement is on the following KPIs for which the progress is measured and assessed:

- Natural resource management
- Physical risk - value chain management
- Practical mitigation & forests
- Targets & strategy
- Governance & disclosure

Responsible Cleantech

The objective of this engagement is to catalyse more sustainable production of some of the most popular cleantech solutions. The equipment manufacturers should implement policies that adequately address the environmental and social risks of their operations and supply chains. The companies should apply a life cycle approach to their products. They should also engage their suppliers and/or customers and start or join collaborative initiatives towards sector-wide improvement.

The following pie charts show the sectors and locations (headquarters) of the **19 engaged companies** in this thematic engagement:



Source: Sustainalytics

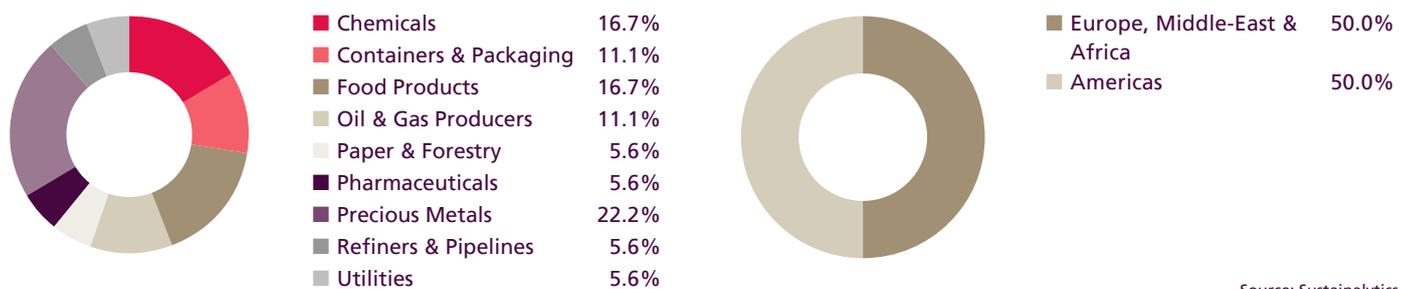
The focus within this thematic engagement is on the following KPIs for which the progress is measured and assessed:

- Governance
- Operational risk management
- Supply chain risk management
- Circularity
- Stakeholder engagement

Localised water management

The goal of this engagement is to have positive impacts on water management and stewardship on company, basin and sector level. On a company level, we aim for improved awareness of the importance and benefits of adapting water strategies to the local risks and realities, as well as enhanced company-wide appreciation and management of water as a material risk and opportunity. As regards the Tiete and Vaal river basins, we hope these dialogues to support the identification of concrete opportunities for collaboration with other stakeholders linked to the same catchment, in order to improve long-term water security for everyone involved. Furthermore, we would like to see companies cascade learnings and best practices across their operations and respective sectors, with this ultimately prompting joint efforts also in other basins.

The following pie charts show the sectors and locations (headquarters) of the **18 engaged companies** in this thematic engagement:



Source: Sustainalytics

The focus within this thematic engagement is on the following KPIs for which the progress is measured and assessed:

- Water quantity
- Water risk and opportunity management
- Water governance
- Public water management
- Integrated water resources management
- Water quality

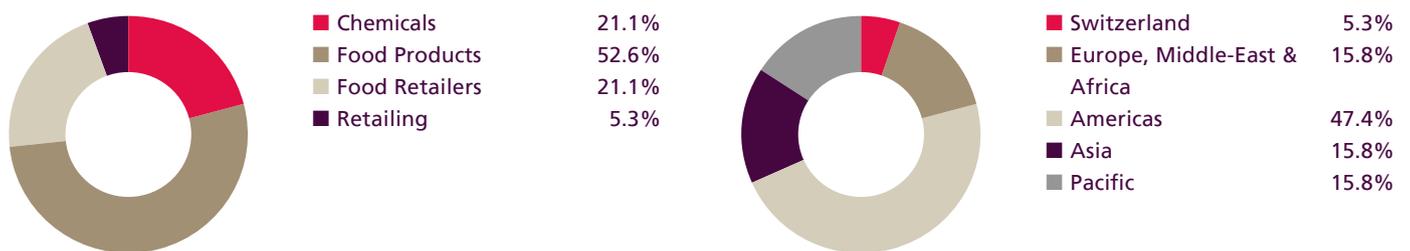
Feeding the future

The objective of this engagement programme is to:

- encourage food companies to embark on a transition towards more sustainable practices and develop holistic responses to the environmental challenges; and
- contribute to a more sustainable trajectory for the future of food.

The measures companies are expected to implement cover contingency planning (including science-based scenario analysis), responsible stewardship of land and other natural resources, eliminating food waste, aligning with shifting consumer trends, and supporting a sector-wide transition to more sustainable business models.

The following pie charts show the sectors and locations (headquarters) of the **19 engaged companies** in this thematic engagement:



Source: Sustainalytics

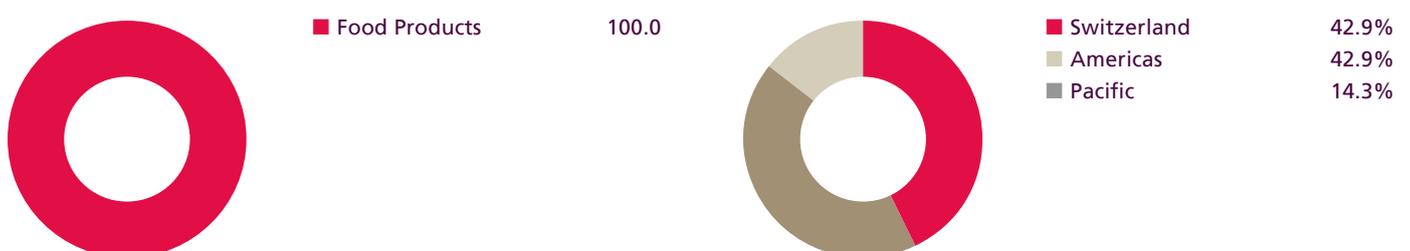
The focus within this thematic engagement is on the following KPIs for which the progress is measured and assessed:

- Biodiversity and land use
- Non-land resources and food waste
- Sustainable product portfolio
- Supply chain resilience
- Collaboration

Child labour in Cocoa

The cocoa industry has been criticized for its association with child labour in its supply chain for more than 15 years with a particular exposure in the Ivory Coast, Ghana, Nigeria, and Cameroon. About 70 per cent of the world's cocoa beans are produced in these countries. The beans are usually grown on small-scale farms and then pass through a complex supply chain. Due to this state of affairs, most of the major players claim it is difficult to properly control the supply chain. The US Department of Labor included cocoa from several countries in West Africa on a list of goods believed to be produced by forced or indentured child labour. Since the problem with child labour is so widespread and therefore concerns the whole industry, Sustainalytics includes some of the largest cocoa grinders and chocolate manufacturers in its engagement on the matter, among them Barry Callebaut.

The following pie charts show the sectors and locations (headquarters) of the **seven engaged companies** in this thematic engagement:



Source: Sustainalytics

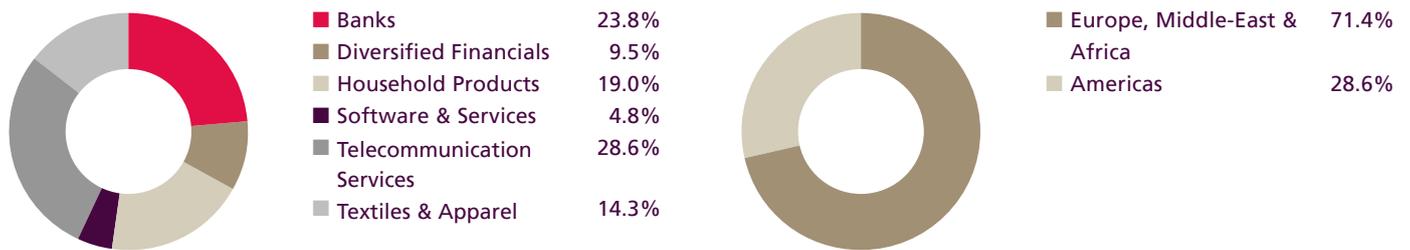
The focus within this thematic engagement is on the following KPIs for which the progress is measured and assessed:

- Living income for cocoa farmers
- Access to education
- Child labour monitoring and remediation

The Governance of SDGs

The objective of this engagement is to encourage the company to clearly identify which SDGs are the right ones for it to prioritise. In addition, the company should demonstrate that its decision-making considers SDG impacts, guides culture, and maintains its license to operate, and is geared towards achieving concrete positive change.

The following pie charts show the sectors and locations (headquarters) of the **21 engaged companies** in this thematic engagement:



Source: Sustainalytics

The focus within this thematic engagement is on the following KPIs for which the progress is measured and assessed:

- SDG governance and strategy
- Board oversight of SDG strategy framework
- Risk and impact assessment and management
- Reporting
- Stakeholder engagement

5 Outlook

The Swiss company law revision (in force in 2023) brings important innovations:

- ESG reporting from the year 2024: this also creates feedback effects for engagements on ESG strategy and activities, while the asset manager allocates capital in an ESG-friendly way.
- Shareholders may request that (ESG-)items be included on the shareholder meeting agenda, provided that they together hold at least 0.5% of the share capital or votes in companies whose shares are listed on a stock exchange.

The EU Taxonomy Regulation describes a framework to generally classify “green” or “sustainable” economic activities within the EU. Previously, there was no definition. The EU taxonomy now creates rules and frameworks for the concept of sustainability when a company is operating in a sustainable or environmentally friendly manner. The legislation aims to reward and promote environmentally friendly business practices and technologies through an investment focus. The focus is on the following six environmental goals:

- Climate protection
- Adaptation to climate change
- Sustainable use and application of water or marine resources
- Transition to a circular economy
- Pollution prevention or control
- Protection and restoration of biodiversity and ecosystems

As part of our thematic engagements, together with our engagement partner, we continue to select companies that have the appropriate, material and relevant topics as outlined in our engagement guidelines. Those guidelines but also our other policies, and related stewardship strategy are being regularly reviewed and if necessary updated.

Within our direct and global standards engagements with our engagement partner, we continue focus predominantly at the moment on ESG issues (i.e. foremost UN Global Compact breaches and proxy voting matters) and the promotion of the UN SDGs. For the foreseeable future, we will continue to focus on climate change, while we further develop and establish the engagements on biodiversity and the circular economy.

We believe that investment stewardship is an integral part of an asset managers’ fiduciary duty. Therefore, we will continue to increase our efforts in this regard given our commitment to responsible and sustainable investments as important element of our overall asset management strategy.

6 Appendix

In this section, you find a summary of our stewardship efforts and related statistics during the reporting period.

6.1 Direct engagements

The following list reflects our direct engagement with issuers during the reporting period. The list shows when the engagement was performed and what the key focus in terms of ESG was.

Quarter	Company name	Country	Sector	E	S	G	Other
Q3 2022	Epic Suisse AG	CH	Real Estate	3	1	2	2
Q3 2022	Take-Two Interactive Software	US	Communication Services	1	3	1	3
Q3 2022	Gurit Holding AG	CH	Materials	3	2	0	0
Q3 2022	Ecolab Inc	US	Materials	3	0	0	0
Q3 2022	Williams Cos Inc/The	US	Energy	3	2	2	3
Q3 2022	Daqo New Energy Corp	CN	Information Technology	3	3	2	1
Q3 2022	Georg Fischer AG	CH	Industrials	3	1	2	1
Q3 2022	Bayerische Motoren Werke AG	DE	Consumer Discretionary	1	1	0	0
Q3 2022	California Resources Corp	US	Energy	3	2	3	3
Q3 2022	Bentley Systems Inc	US	Information Technology	2	2	2	3
Q3 2022	Monolithic Power Systems Inc	US	Information Technology	3	0	0	3
Q3 2022	Weyerhaeuser Co	US	Real Estate	3	2	2	3
Q3 2022	Mercedes-Benz Group AG	DE	Consumer Discretionary	1	0	0	1
Q3 2022	Stellantis NV	NL	Consumer Discretionary	1	0	0	1
Q3 2022	Volkswagen AG	DE	Consumer Discretionary	3	0	0	0
Q3 2022	Lenovo Group Ltd	CN	Information Technology	2	1	0	3
Q3 2022	Elite Material Co Ltd	TW	Information Technology	3	1	0	3
Q3 2022	dormakaba Holding AG	CH	Industrials	3	1	3	0
Q3 2022	Xylem Inc/NY	US	Industrials	2	3	1	0
Q3 2022	MasTec Inc	US	Industrials	1	3	1	0
Q3 2022	SolarEdge Technologies Inc	IL	Information Technology	0	0	0	3
Q3 2022	A O Smith Corp	US	Industrials	1	1	1	0
Q3 2022	LONGi Green	CN	Information Technology	3	2	0	0
Q3 2022	Mercedes-Benz Group AG	DE	Consumer Discretionary	1	1	0	1
Q3 2022	Intershop Holding AG	CH	Real Estate	3	1	1	1
Q3 2022	Owens Corning	US	Industrials	2	0	2	3
Q3 2022	Bruker Corp	US	Healthcare	0	0	3	3
Q3 2022	BorgWarner Inc	US	Consumer Discretionary	1	0	0	1
Q3 2022	ROCKWOOL A/S	DK	Industrials	2	2	0	3
Q3 2022	Hiag Immobilien Holding AG	CH	Real Estate	3	1	3	2
Q3 2022	Gold Fields Ltd	ZA	Materials	3	1	0	0
Q3 2022	Investis Holding SA	CH	Real Estate	3	1	1	2
Q3 2022	Allreal Holding AG	CH	Real Estate	1	1	1	3

Engagement focus: 0 = not discussed, 1 = low, 2 = medium, 3 = high

Quarter	Company name	Country	Sector	E	S	G	Other
Q3 2022	Atkore Inc	US	Industrials	1	1	0	3
Q3 2022	Zug Estates Holding AG	CH	Real Estate	3	1	2	2
Q3 2022	Swiss Prime Site AG	CH	Real Estate	2	1	1	3
Q3 2022	Ming Yang Smart Energy Group	CN	Industrials	2	0	2	3
Q3 2022	OC Oerlikon Corporation AG	CH	Industrials	0	1	3	3
Q3 2022	Coca-Cola Femsa SAB de CV	MX	Consumer Staples	3	2	0	0
Q3 2022	Suzano SA	BR	Materials	3	0	0	0
Q3 2022	Delta Electronics Inc	TW	Information Technology	2	0	0	3
Q3 2022	PSP Swiss Property AG	CH	Real Estate	3	1	2	2
Q3 2022	TPI Composites Inc	US	Industrials	3	2	0	0
Q3 2022	Volkswagen AG	DE	Consumer Discretionary	0	3	0	0
Q3 2022	Orior AG	CH	Consumer Staples	2	1	0	3
Q3 2022	Danone SA	FR	Consumer Staples	1	0	0	0
Q3 2022	HAITIAN INT'L	CN	Industrials	2	0	0	3
Q3 2022	Westpac Banking Corp	AU	Financials	0	3	3	0
Q3 2022	Zurich Insurance Group AG	CH	Financials	2	1	2	1
Q3 2022	Mobimo Holding AG	CH	Real Estate	1	0	1	2
Q3 2022	Baxter International Inc	US	Healthcare	1	2	3	3
Q3 2022	Valiant Holding AG	CH	Financials	2	0	0	3
Q3 2022	NatWest Group PLC	GB	Financials	3	1	2	3
Q3 2022	EMS-Chemie Holding AG	CH	Materials	0	0	3	0
Q3 2022	Haleon PLC	GB	Consumer Staples	1	1	1	0
Q3 2022	Roche Holding AG	CH	Healthcare	1	1	3	1
Q3 2022	Edgewell Personal Care Co	US	Consumer Staples	1	0	0	0
Q3 2022	IHH Healthcare Bhd	MY	Healthcare	1	1	3	3
Q3 2022	Cosan SA	BR	Energy	3	0	3	0
Q3 2022	Sony Group Corp	JP	Consumer Discretionary	1	0	1	2
Q2 2022	Reckitt Benckiser Group PLC	GB	Consumer Staples	2	0	0	0
Q2 2022	Koninklijke DSM NV	NL	Materials	2	2	2	0
Q2 2022	Deutsche Post AG	DE	Industrials	2	0	1	3
Q2 2022	Western Australian Treasury Co	#NV	Other (Government)	3	1	3	3
Q2 2022	Crown Holdings Inc	US	Materials	3	2	0	0
Q2 2022	Vertex Pharmaceuticals Inc	US	Healthcare	0	3	0	3
Q2 2022	Credicorp Ltd	PE	Financials	2	2	3	3
Q2 2022	GOLDWIND	CN	Industrials	3	2	1	0
Q2 2022	Alibaba Group Holding Ltd	CN	Consumer Discretionary	0	2	2	3
Q2 2022	Baker Hughes Co	US	Energy	2	2	2	3
Q2 2022	Carrier Global Corp	US	Industrials	2	1	1	2
Q2 2022	Sumitomo Mitsui Financial	JP	Financials	3	0	1	0
Q2 2022	Danaos Corporation	GR	Industrials	3	0	0	0
Q2 2022	EOG Resources Inc	US	Energy	2	2	2	3
Q2 2022	Novartis AG	CH	Healthcare	0	3	0	2
Q2 2022	Yageo Corp	TW	Information Technology	2	2	2	3
Q2 2022	Reinsurance Group of America	US	Financials	1	1	3	3
Q2 2022	ANTA Sports Products Ltd	CN	Consumer Discretionary	0	1	0	3
Q2 2022	Ypsomed Holding AG	CH	Healthcare	0	1	0	3
Q2 2022	LG Energy Solution Ltd	KR	Industrials	3	2	1	0

Engagement focus: 0 = not discussed, 1 = low, 2 = medium, 3 = high

Quarter	Company name	Country	Sector	E	S	G	Other
Q2 2022	Deutsche Telekom AG	DE	Communication Services	1	1	3	3
Q2 2022	Booking Holdings Inc	US	Consumer Discretionary	1	1	1	1
Q2 2022	Hologic Inc	US	Healthcare	0	2	2	3
Q2 2022	Power Grid Corp of India Ltd	IN	Utilities	0	0	3	0
Q2 2022	ORIX Corp	JP	Financials	3	1	2	3
Q2 2022	Landis+Gyr Group AG	CH	Information Technology	2	2	3	2
Q2 2022	Nordex SE	DE	Industrials	3	3	0	0
Q2 2022	Arqiva Financing plc	GB	Communication Services	0	3	0	3
Q2 2022	Darktrace PLC	GB	Information Technology	1	2	3	3
Q2 2022	Grupo Bimbo SAB de CV	MX	Consumer Staples	3	2	1	0
Q2 2022	Sonova Holding AG	CH	Healthcare	0	1	1	3
Q2 2022	Zug Estates Holding AG	CH	Real Estate	3	3	3	2
Q2 2022	K+S AG	DE	Materials	3	2	0	0
Q2 2022	Ford Motor Co	US	Consumer Discretionary	2	2	0	0
Q2 2022	Power Grid Corp of India Ltd	IN	Utilities	0	0	3	0
Q2 2022	The Very Group Funding plc	GB	Consumer Discretionary	0	1	1	1
Q2 2022	Interroll Holding AG	CH	Industrials	3	0	0	0
Q2 2022	American Water Works Co Inc	US	Utilities	2	2	0	3
Q2 2022	Novo Nordisk A/S	DK	Healthcare	3	1	2	1
Q2 2022	PrestigeBidCo GmbH	DE	Consumer Discretionary	2	2	1	0
Q2 2022	Pro-gest S.P.A.	IT	Materials	2	0	1	2
Q2 2022	Capri Holdings Ltd	GB	Consumer Discretionary	1	0	0	0
Q2 2022	Roche Holding AG	CH	Healthcare	0	1	0	0
Q2 2022	Lawson Inc	JP	Consumer Staples	0	0	1	0
Q2 2022	Helvetia Holding AG	CH	Financials	1	1	0	3
Q2 2022	Interroll Holding AG	CH	Industrials	3	1	3	0
Q2 2022	Energiedienst Holding AG	CH	Utilities	3	1	3	0
Q2 2022	Giant Manufacturing Co Ltd	TW	Consumer Discretionary	2	0	0	2
Q2 2022	Mayr Melnhof Karton AG	AT	Materials	2	1	3	0
Q2 2022	Panasonic Holdings Corp	JP	Consumer Discretionary	0	1	1	0
Q2 2022	Mercedes-Benz Group AG	DE	Consumer Discretionary	3	3	3	0
Q2 2022	Sinopharm Group Co Ltd	CN	Healthcare	1	2	3	3
Q2 2022	Grupo Financiero Banorte SAB	MX	Financials	0	2	3	0
Q2 2022	Loop Industries Inc	CA	Materials	2	2	2	3
Q2 2022	Northland Power Inc	CA	Utilities	2	0	0	3
Q2 2022	SKAN Group AG	CH	Healthcare	0	1	0	3
Q2 2022	AGCO Corp	US	Industrials	2	2	2	3
Q2 2022	Mosaic Co/The	US	Materials	3	0	0	0
Q2 2022	GXO Logistics Inc	US	Industrials	2	1	2	3
Q1 2022	VP Bank AG	LI	Financials	1	0	0	3
Q1 2022	Stadler Rail AG	CH	Industrials	2	2	1	3
Q1 2022	Manulife Financial Corp	CA	Financials	3	0	0	0
Q1 2022	Mosaic Co/The	US	Materials	3	2	2	3
Q1 2022	LVMH Moët Hennessy Louis	FR	Consumer Discretionary	0	1	0	2
Q1 2022	VZ Holding AG	CH	Financials	1	0	1	3
Q1 2022	Zur Rose Group AG	CH	Consumer Staples	0	1	0	3
Q1 2022	Investis Holding SA	CH	Real Estate	3	1	2	3

Engagement focus: 0 = not discussed, 1 = low, 2 = medium, 3 = high

Quarter	Company name	Country	Sector	E	S	G	Other
Q1 2022	Interroll Holding AG	CH	Industrials	1	1	1	3
Q1 2022	SolarEdge Technologies Inc	IL	Information Technology	3	0	0	3
Q1 2022	Intershop Holding AG	CH	Real Estate	3	2	2	3
Q1 2022	Nestle SA	CH	Consumer Staples	3	2	3	1
Q1 2022	Hanwha Solutions Corp	KR	Materials	1	1	2	0
Q1 2022	Tesla Inc	US	Consumer Discretionary	2	2	0	0
Q1 2022	V-ZUG Holding AG	CH	Consumer Discretionary	1	0	0	3
Q1 2022	Komax Holding AG	CH	Industrials	2	1	1	3
Q1 2022	Holcim AG	CH	Materials	3	1	3	0
Q1 2022	Hiag Immobilien Holding AG	CH	Real Estate	3	1	2	2
Q1 2022	BKW AG	CH	Utilities	3	1	1	3
Q1 2022	Evotec SE	DE	Healthcare	2	3	0	0
Q1 2022	Mitsubishi Gas Chemical Co In	JP	Materials	0	0	3	0
Q1 2022	Baloise Holding AG	CH	Financials	1	0	0	3
Q1 2022	Aryzta AG	CH	Consumer Staples	1	1	1	3
Q1 2022	Isuzu Motors Ltd	JP	Consumer Discretionary	2	2	2	2
Q1 2022	Deutsche Post AG	DE	Industrials	2	0	0	3
Q1 2022	Hera SpA	IT	Utilities	3	1	2	2
Q1 2022	UBS AG	CH	Financials	2	2	3	2
Q1 2022	Allreal Holding AG	CH	Real Estate	3	1	3	3
Q1 2022	Zug Estates Holding AG	CH	Real Estate	3	1	1	2
Q1 2022	Flughafen Zurich AG	CH	Industrials	0	0	0	3
Q1 2022	Genpact Ltd	US	Information Technology	0	0	2	1
Q1 2022	Moncler SpA	IT	Consumer Discretionary	0	1	0	2
Q1 2022	Liechtensteinische Landesbank	LI	Financials	1	0	0	3
Q1 2022	SFS Group AG	CH	Industrials	2	1	1	3
Q1 2022	Kardex Holding AG	CH	Industrials	1	1	1	3
Q1 2022	BBVA	ES	Financials	3	2	2	1
Q1 2022	Manulife Financial Corp	CA	Financials	2	1	1	3
Q1 2022	Forbo Holding AG	CH	Industrials	1	0	1	3
Q1 2022	ABB Ltd	CH	Industrials	0	0	0	3
Q1 2022	Georg Fischer AG	CH	Industrials	3	1	1	3
Q1 2022	Scorpio Tankers Inc	MC	Energy	3	2	2	3
Q1 2022	Schneider Electric SE	FR	Industrials	3	2	0	0
Q1 2022	Mobimo Holding AG	CH	Real Estate	3	2	2	3
Q1 2022	Kellogg Co	US	Consumer Staples	1	1	1	3
Q1 2022	Swiss Life Holding AG	CH	Financials	1	0	0	3
Q1 2022	Orior AG	CH	Consumer Staples	1	0	1	3
Q1 2022	Autoneum Holding AG	CH	Consumer Discretionary	2	1	1	3
Q1 2022	Ericsson	SE	Information Technology	1	2	3	3
Q1 2022	Chugai Pharmaceutical Co Ltd	JP	Healthcare	0	3	3	0
Q1 2022	Endesa SA	ES	Utilities	2	2	0	2
Q1 2022	Sika AG	CH	Materials	2	1	1	3
Q1 2022	Implenia AG	CH	Industrials	1	1	0	3
Q1 2022	Recordati Industria Chimica e	IT	Healthcare	1	1	3	0
Q1 2022	UCB SA	BE	Healthcare	0	3	3	0
Q1 2022	Genmab A/S	DK	Healthcare	0	3	3	0

Engagement focus: 0 = not discussed, 1 = low, 2 = medium, 3 = high

Quarter	Company name	Country	Sector	E	S	G	Other
Q1 2022	Lonza Group AG	CH	Healthcare	0	3	3	0
Q1 2022	Basilea Pharmaceutica AG	CH	Healthcare	0	3	3	0
Q1 2022	Amgen Inc	US	Healthcare	0	3	2	0
Q1 2022	Swiss Re AG	CH	Financials	1	0	0	3
Q1 2022	PSP Swiss Property AG	CH	Real Estate	3	1	1	3
Q1 2022	Holcim AG	CH	Materials	3	1	1	3
Q1 2022	Lonza Group AG	CH	Healthcare	0	1	0	3
Q1 2022	Valiant Holding AG	CH	Financials	1	0	0	3
Q1 2022	Adecco Group AG	CH	Industrials	1	1	0	3
Q1 2022	Credit Suisse Group AG	CH	Financials	1	2	3	2
Q1 2022	Zehnder Group AG	CH	Industrials	2	1	1	3
Q1 2022	Nestle SA	CH	Consumer Staples	1	1	1	3
Q1 2022	Coöperatieve Rabobank U.A.	NL	Financials	3	1	1	2
Q1 2022	Daetwyler Holding AG	CH	Industrials	1	2	1	3
Q1 2022	Sony Group Corp	JP	Consumer Discretionary	0	1	0	0
Q1 2022	KB Financial Group Inc	KR	Financials	2	1	2	3
Q1 2022	Ryohin Keikaku Co Ltd	JP	Consumer Discretionary	0	0	0	1
Q1 2022	Swiss Prime Site AG	CH	Real Estate	3	1	2	3
Q1 2022	Cembra Money Bank AG	CH	Financials	1	0	0	3
Q1 2022	ING Groep NV	NL	Financials	3	1	2	3
Q1 2022	UBS AG	CH	Financials	3	2	3	1
Q1 2022	AbbVie Inc	US	Healthcare	2	2	1	1
Q1 2022	SAP SE	DE	Information Technology	1	1	2	3
Q1 2022	Novartis AG	CH	Healthcare	0	2	1	3
Q1 2022	Adecco Group AG	CH	Industrials	2	3	3	0
Q1 2022	Idorsia Ltd	CH	Healthcare	0	1	1	3
Q1 2022	DKSH Holding AG	CH	Industrials	1	2	1	3
Q1 2022	Telkom Indonesia Persero Tbk	ID	Communication Services	0	2	2	0
Q1 2022	Straumann Holding AG	CH	Healthcare	2	1	3	0
Q1 2022	Roche Holding AG	CH	Healthcare	0	1	1	3
Q1 2022	UBS Group AG	CH	Financials	1	0	0	3
Q1 2022	Adecco Group AG	CH	Industrials	1	3	3	2
Q1 2022	Ypsomed Holding AG	CH	Healthcare	1	0	0	3
Q1 2022	Johnson Matthey PLC	GB	Materials	3	2	0	0
Q1 2022	Plug Power Inc	US	Industrials	3	2	0	0
Q1 2022	Volkswagen AG	DE	Consumer Discretionary	0	1	2	1
Q1 2022	Implenia AG	CH	Industrials	2	2	2	2
Q1 2022	Sberbank of Russia PJSC	RU	Financials	0	0	0	3
Q1 2022	Hyundai Mobis Co Ltd	KR	Consumer Discretionary	2	2	0	0
Q1 2022	Thermo Fisher Scientific Inc	US	Healthcare	2	0	2	2
Q1 2022	Haier Smart Home Co Ltd	CN	Consumer Discretionary	1	1	2	3
Q1 2022	Sunpower Group Ltd	CN	Industrials	2	2	0	0
Q4 2021	CTBC Financial Holding Co Ltd	TW	Financials	2	0	2	3
Q4 2021	GOLDWIND	CN	Industrials	2	2	0	0
Q4 2021	EnerSys	US	Industrials	0	0	2	1
Q4 2021	SIG Group AG	CH	Materials	3	1	2	0
Q4 2021	Baloise Holding AG	CH	Financials	2	1	2	1

Engagement focus: 0 = not discussed, 1 = low, 2 = medium, 3 = high

Quarter	Company name	Country	Sector	E	S	G	Other
Q4 2021	Hyundai Capital Services, Inc.	KR	Consumer Discretionary	2	1	1	2
Q4 2021	Danone SA	FR	Consumer Staples	3	2	2	1
Q4 2021	Bank Rakyat Indonesia Persero	ID	Financials	2	1	2	3
Q4 2021	TPI Composites Inc	US	Industrials	3	2	0	0
Q4 2021	Zurich Insurance Group AG	CH	Financials	3	1	2	1
Q4 2021	Asseco Poland SA	PL	Information Technology	1	1	2	3
Q4 2021	Smith & Nephew PLC	GB	Healthcare	0	1	1	3
Q4 2021	Sika AG	CH	Materials	3	2	3	1
Q4 2021	LONGi Green	CN	Information Technology	2	1	0	0
Q4 2021	UBS AG	CH	Financials	3	2	3	2
Q4 2021	Bank Mandiri Persero Tbk PT	ID	Financials	3	0	2	3
Q4 2021	Telenor ASA	NO	Communication Services	1	1	3	1
Q4 2021	First Solar Inc	US	Information Technology	3	3	0	0
Q4 2021	Hera SpA	IT	Utilities	3	2	0	3
Q4 2021	Essential Utilities Inc	US	Utilities	2	0	0	3
Q4 2021	Atkore Inc	US	Industrials	0	0	2	3
Q4 2021	Deutsche Post AG	DE	Industrials	2	2	0	3
Q4 2021	Chugai Pharmaceutical Co Ltd	JP	Healthcare	2	1	2	3
Q4 2021	Nordex SE	DE	Industrials	3	2	0	0
Q4 2021	KeyCorp	US	Financials	2	1	2	3
Q4 2021	3SBio Inc	CN	Healthcare	0	0	3	3
Q4 2021	Gurit Holding AG	CH	Materials	3	1	0	1
Q4 2021	Hera SpA	IT	Utilities	2	0	2	3
Q4 2021	BBVA	ES	Financials	2	1	2	2
Q4 2021	Springboard PLC	GB	Financials	3	0	3	2
Q4 2021	Evotec SE	DE	Healthcare	1	1	3	3
Q4 2021	Nestle SA	CH	Consumer Staples	3	2	2	0
Q4 2021	Ericsson	SE	Information Technology	1	1	3	1
Q4 2021	Georg Fischer AG	CH	Industrials	0	0	3	0
Q4 2021	HCL Technologies Ltd	IN	Information Technology	1	2	2	2
Q4 2021	Roche Holding AG	CH	Healthcare	1	1	2	0
Q4 2021	Vestas Wind Systems A/S	DK	Industrials	3	0	0	0
Q4 2021	Alcon Inc	CH	Healthcare	1	2	3	2
Q4 2021	Georg Fischer AG	CH	Industrials	2	2	2	1
Q4 2021	CONCH VENTURE	CN	Industrials	3	0	2	2
Q4-2021	GCL-Poly Energy Holdings Ltd	HK	Information Technology	1	1	3	0

Source: Sustainalytics

Engagement focus: 0 = not discussed, 1 = low, 2 = medium, 3 = high

6.2 Current global standards engagements

The following list reflects the global standards engagements with issuers performed by Sustainalytics by region. The list shows the relevant breach in terms of the UN Global Compact Principles and related engagements during the reporting period.

Europe

Company name	Country	Sector	Norm
Barclays Plc	United Kingdom	Banks	Business Ethics
Bayer AG	Germany	Pharmaceuticals	Human Rights
Bolloré SE	France	Media	Human Rights
Credit Suisse Group AG	Switzerland	Banks	Business Ethics
Danske Bank A/S	Denmark	Banks	Business Ethics
Deutsche Bank AG	Germany	Banks	Business Ethics
EDP Renováveis SA	Spain	Utilities	Business Ethics
EDP-Energias de Portugal SA	Portugal	Utilities	Business Ethics
Glencore Plc	Switzerland	Diversified Metals	Business Ethics
Glencore Plc	Switzerland	Diversified Metals	Labour Rights
Indivior PLC	United Kingdom	Pharmaceuticals	Business Ethics
Medtronic Plc	Ireland	Healthcare	Human Rights
Orpea SA	France	Healthcare	Human Rights
Sanofi	France	Pharmaceuticals	Human Rights
Siemens Energy AG	Germany	Electrical Equipment	Human Rights
Siemens Gamesa Renewable Energy SA	Spain	Electrical Equipment	Human Rights
Telefonaktiebolaget LM Ericsson	Sweden	Technology Hardware	Business Ethics
Teleperformance SA	France	Commercial Services	Labour Rights

Source: Sustainalytics

United States and Canada

Company name	Country	Sector	Norm
3M Co.	USA	Industrial Conglomerates	Environment
Activision Blizzard, Inc.	USA	Software & Services	Labour Rights
Amazon.com, Inc.	USA	Retailing	Human Rights
Amazon.com, Inc.	USA	Retailing	Labour Rights
Caterpillar, Inc.	USA	Machinery	Human Rights
Citigroup, Inc.	USA	Banks	Business Ethics
FirstEnergy Corp.	USA	Utilities	Business Ethics
Johnson & Johnson	USA	Pharmaceuticals	Human Rights
Mattel, Inc.	USA	Consumer Durables	Human Rights
McDonald's Corp.	USA	Consumer Services	Human Rights
McKesson Corp.	USA	Healthcare	Human Rights
Meta Platforms, Inc.	USA	Software & Services	Human Rights
Pan American Silver Corp.	USA	Precious Metals	Human Rights
PG&E Corp.	USA	Utilities	Human Rights
Pilgrim's Pride Corp.	USA	Food Products	Business Ethics
Raytheon Technologies Corp.	USA	Aerospace & Defence	Human Rights
Southern Copper Corp.	USA	Diversified Metals	Environment
Southern Copper Corp.	USA	Diversified Metals	Labour Rights
Starbucks Corp.	USA	Consumer Services	Labour Rights

Company name	Country	Sector	Norm
Stryker Corp.	USA	Healthcare	Human Rights
Tesla, Inc.	USA	Automobiles	Labour Rights
The Boeing Co.	USA	Aerospace & Defence	Human Rights
The Chemours Co.	USA	Chemicals	Environment
Thermo Fisher Scientific, Inc.	USA	Pharmaceuticals	Human Rights
Uber Technologies, Inc.	USA	Software & Services	Human Rights
Wells Fargo & Co.	USA	Banks	Business Ethics

Source: Sustainalytics

Asia/Pacific

Company name	Country	Sector	Norm
AMP Ltd.	Australia	Diversified Financials	Business Ethics
Baidu, Inc.	China	Software & Services	Human Rights
China Gas Holdings Ltd.	Hong Kong	Utilities	Human Rights
Hino Motors, Ltd.	Japan	Machinery	Business Ethics
Li Ning Co., Ltd.	China	Textiles & Apparel	Labour Rights
Oil & Natural Gas Corp. Ltd.	India	Oil & Gas Producers	Human Rights
PetroChina Co., Ltd.	China	Oil & Gas Producers	Human Rights
POSCO Holdings Inc.	South Korea	Steel	Human Rights
Rio Tinto Ltd.	Australia	Diversified Metals	Human Rights
S-Oil Corp.	South Korea	Refiners & Pipelines	Human Rights
Samsung Electronics Co., Ltd.	South Korea	Technology Hardware	Business Ethics
Tata Consultancy Services Ltd.	India	Software & Services	Human Rights
Tencent Holdings Ltd.	China	Software & Services	Human Rights
Tokyo Electric Power Co. Holdings, Inc.	Japan	Utilities	Environment
TOSHIBA Corp.	Japan	Industrial Conglomerates	Business Ethics
Toyota Motor Corp.	Japan	Automobiles	Business Ethics
Vedanta Ltd.	India	Diversified Metals	Human Rights
Weibo Corp.	China	Software & Services	Human Rights
Westpac Banking Corp.	Australia	Banks	Business Ethics
Xinjiang Zhongtai Chemical Co., Ltd.	China	Chemicals	Labour Rights
ZTE Corp.	China	Technology Hardware	Human Rights

Source: Sustainalytics

Latin America and Caribbean

Company name	Country	Sector	Norm
Vale SA	Brazil	Diversified Metals	Human Rights

Source: Sustainalytics

Africa/Middle East

Company name	Country	Sector	Norm
MTN Group Ltd.	South Africa	Telecommunication Services	Human Rights
Saudi Basic Industries Corp.	Saudi Arabia	Chemicals	Human Rights

Source: Sustainalytics

6.3 Current thematic engagements

The following list reflects our thematic engagement with issuers performed by Sustainalytics on our behalf by key area during the reporting period.

Climate change – sustainable forests and finance

Company name	Country	Sector
Banco do Brasil SA	Brazil	Banks
BRF SA	Brazil	Food Products
Bunge Ltd.	United States of America	Food Products
Cargill, Inc.	United States of America	Food Products
Crédit Agricole SA	France	Banks
DBS Group Holdings Ltd.	Singapore	Banks
Golden Agri-Resources Ltd.	Singapore	Food Products
ING Groep NV	Netherlands	Banks
JPMorgan Chase & Co.	United States of America	Banks
Koninklijke Ahold Delhaize NV	Netherlands	Food Retailers
McDonald's Corp.	United States of America	Consumer Services
Minerva SA	Brazil	Food Products
Mitsubishi Corp.	Japan	Traders & Distributors
PepsiCo, Inc.	United States of America	Food Products
Procter & Gamble Co.	United States of America	Household Products
Sime Darby Plantation Bhd.	Malaysia	Food Products
Sumitomo Mitsui Financial Group, Inc.	Japan	Banks
The Kroger Co.	United States of America	Food Retailers
Tyson Foods, Inc.	United States of America	Food Products
UBS Group AG	Switzerland	Diversified Financials
Woolworths Group Ltd.	Australia	Food Retailers
Yum! Brands, Inc.	United States of America	Consumer Services

Source: Sustainalytics

Feeding the future

Company name	Country	Sector
Archer-Daniels-Midland Co.	United States of America	Food Products
Bayer CropScience Ltd. (India)	India	Chemicals
Beyond Meat, Inc.	United States of America	Food Products
Carrefour SA	France	Food Retailers
Cencosud SA	Chile	Food Retailers
Central Retail Corp. Public Co. Ltd.	Thailand	Retailing
Corteva, Inc.	United States of America	Chemicals
Costa Group Holdings Ltd.	Australia	Food Products
Fresh Del Monte Produce, Inc.	United States of America	Food Products
Gruma SAB de CV	Mexico	Food Products
Kerry Group Plc	Ireland	Food Products
Nestlé SA	Switzerland	Food Products
Nutrien Ltd.	Canada	Chemicals
Olam International Ltd.	Singapore	Food Products
PT Astra Agro Lestari Tbk	Indonesia	Food Products
Shoprite Holdings Ltd.	South Africa	Food Retailers

Company name	Country	Sector
Sociedad Quimica y Minera de Chile SA	Chile	Chemicals
Walmart, Inc.	United States of America	Food Retailers
Want Want China Holdings Ltd.	Hong Kong	Food Products

Source: Sustainalytics

Localised water management

Company name	Country	Sector
Akzo Nobel NV	Netherlands	Chemicals
Anheuser-Busch InBev SA/NV	Belgium	Food Products
Braskem SA	Brazil	Chemicals
Catalent, Inc.	United States of America	Pharmaceuticals
Coca-Cola FEMSA SAB de CV	Mexico	Food Products
Companhia de Saneamento Basico do Estado de Sao Paulo SABESP	Brazil	Utilities
Cosan SA	Brazil	Refiners & Pipelines
Crown Holdings, Inc.	United States of America	Containers & Packaging
Exxaro Resources Ltd.	South Africa	Oil & Gas Producers
Gold Fields Ltd.	South Africa	Precious Metals
Harmony Gold Mining Co. Ltd.	South Africa	Precious Metals
Heineken NV	Netherlands	Food Products
Huntsman Corp.	United States of America	Chemicals
Impala Platinum Holdings Ltd.	South Africa	Precious Metals
Klabin SA	Brazil	Containers & Packaging
Sasol Ltd.	South Africa	Oil & Gas Producers
Sibanye Stillwater Ltd.	South Africa	Precious Metals
Suzano SA	Brazil	Paper & Forestry

Source: Sustainalytics

Responsible cleantech

Company name	Country	Sector
Daqo New Energy Corp.	China	Semiconductors
First Solar, Inc.	United States of America	Semiconductors
Ford Motor Co.	United States of America	Automobiles
Gurit Holding AG	Switzerland	Chemicals
HANWHA SOLUTIONS CORP.	South Korea	Chemicals
Honda Motor Co., Ltd.	Japan	Automobiles
Hyundai Mobis Co., Ltd.	South Korea	Auto Components
Johnson Matthey Plc	United Kingdom	Chemicals
LG Energy Solution Ltd.	South Korea	Electrical Equipment
LONGi Green Energy Technology Co., Ltd.	China	Semiconductors
Nordex SE	Germany	Electrical Equipment
Plug Power, Inc.	United States of America	Electrical Equipment
Schneider Electric SE	France	Electrical Equipment
SunPower Corp.	United States of America	Semiconductors
Tesla, Inc.	United States of America	Automobiles
TPI Composites, Inc.	United States of America	Machinery
Vestas Wind Systems A/S	Denmark	Electrical Equipment
Volkswagen AG	Germany	Automobiles
Xinjiang Goldwind Science & Technology Co., Ltd.	China	Electrical Equipment

Source: Sustainalytics

The governance of SDGs

Company name	Country	Sector
America Movil SAB de CV	Mexico	Telecommunication Services
Banco Bilbao Vizcaya Argentaria SA	Spain	Banks
Beiersdorf AG	Germany	Household Products
BT Group Plc	United Kingdom	Telecommunication Services
Burberry Group Plc	United Kingdom	Textiles & Apparel
Citigroup, Inc.	United States of America	Banks
Deutsche Börse AG	Germany	Diversified Financials
Deutsche Telekom AG	Germany	Telecommunication Services
Henkel AG & Co. KGaA	Germany	Household Products
HSBC Holdings Plc	United Kingdom	Banks
International Business Machines Corp.	United States of America	Software & Services
Kering SA	France	Textiles & Apparel
L'Oréal SA	France	Household Products
LVMH Moët Hennessy Louis Vuitton SE	France	Textiles & Apparel
Orange SA	France	Telecommunication Services
Royal KPN NV	Netherlands	Telecommunication Services
Standard Chartered Plc	United Kingdom	Banks
Telefónica SA	Spain	Telecommunication Services
The Estée Lauder Companies, Inc.	United States of America	Household Products
The Goldman Sachs Group, Inc.	United States of America	Diversified Financials
Wells Fargo & Co.	United States of America	Banks

Source: Sustainalytics

Child labour in cocoa

Company name	Country	Sector
Barry Callebaut AG	Switzerland	Food Products
Cargill, Inc.	United States of America	Food Products
Chocoladefabriken Lindt & Sprüngli AG	Switzerland	Food Products
Mondelez International, Inc.	United States of America	Food Products
Nestlé S.A.	Switzerland	Food Products
Olam International Ltd.	Singapore	Food Products
The Hershey Co.	United States of America	Food Products

Source: Sustainalytics

6.4 Recent collaborative engagements

The following list shows our collaborative engagement efforts during the reporting period.

Collaborative Engagement	Year of signing	Description
Emissions disclosure in the EU tech sector	2021 Q3	<p>The technology sector is responsible for 2–3% of global GHG emissions. This sector is often overlooked in the emissions discussion. Based on the Arabesque S-Ray® Temperature Score (https://www.arabesque.com/de/arabesque-s-ray/temperature-score/), six companies in the technology sector could be identified for engagement where disclosure is still insufficient. “Investor Letters” to these companies are intended to improve disclosure of their greenhouse gas emissions (which could then also be used to calculate a corresponding “Temperature Score”).</p> <p>More information: https://collaborate.unpri.org/group/8546/stream</p>
Taskforce on Nature-related Financial Disclosures (TNFD)	2021 Q3	<p>Recent research finds that more than half of the world’s economic output - USD 44 trillion of economic value generation – is moderately or highly dependent on nature. Action on nature-positive transitions could generate up to USD 10.1 trillion in annual business value by 2030, but a consistent risk framework is needed to identify, report on and manage the resulting risks and nature-related opportunities. TNFD is a key initiative to tackle this challenge, recognised e.g. by the G7 Finance Ministers, G20 Environment Ministers, the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), and over 60 individual financial institutions and corporates. Swisscanto Invest by Zürcher Kantonalbank joined as TNFD Forum member, a consultative grouping of institutional supporters.</p> <p>More information: https://tnfd.info/</p>
Net Zero Asset Managers Initiative	2021 Q3	<p>The Net Zero Asset Managers Initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius and to supporting investing aligned with net zero emissions by 2050 or sooner. The initiative focuses on “financed” greenhouse gas emissions in their assets under management and the real-world impact of asset managers’ core business. The commitment is to follow this pathway with a certain percentage of own assets under management. In the course of this, it is expected that participating asset managers will also target net zero emissions by 2050 or sooner for their own operational emissions.</p> <p>More information: https://www.netzeroassetmanagers.org/#</p>
2021 Global Investor Statement to Governments on the Climate Crisis	2021 Q2	<p>This initiative intends to encourage all countries to significantly strengthen their nationally determined contributions (NDCs) for 2030 and to ensure a planned transition to net-zero emissions by 2050 or sooner (also to become increasingly attractive investment destinations and not to find themselves at a competitive disadvantage).</p> <p>More information: https://theinvestoragenda.org/focus-areas/policy-advocacy/</p>
FAIRR – Sustainable Aquaculture: Managing Biodiversity & Climate Risks in Feed	2021 Q1	<p>Aquaculture (i.e. the cultivation of aquatic animals and plants, especially fish, shellfish, and seaweed, in natural or controlled marine or freshwater environments) is a relatively new but fast-growing form of food production. Given the challenges facing livestock production, particularly in terms of climate and land use, aquaculture has often been positioned as a sustainable way to meet growing demand for protein in support of achieving food security and improved nutrition.</p> <p>This engagement will focus on eight salmon aquaculture producers to develop and disclose a science-based strategy for managing ESG risks in their feed supply chains.</p> <p>More information: https://www.fairr.org/engagements/sustainable-aquaculture-engagement/</p>
CDP Science-Based Targets campaign	2020 Q3	<p>Science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals. The campaign offers CDP investor signatories the opportunity to play a key role in accelerating the adoption of science-based climate targets in the corporate sector, by collaboratively engaging companies on this matter.</p> <p>More information: www.cdp.net/en/investor/engage-with-companies/cdp-science-based-targets-campaign</p>

6.5 Recent memberships

The following list shows our new membership activities and efforts during the reporting period.

Membership	Year of signing	Description
UNPRP - Principles for Responsible Banking Signatory Zürcher Kantonalbank	2022	<p>These Principles align banks with society's goals as expressed in the Sustainable Development Goals (SDGs) and the Paris Agreement. They set the global benchmark for what it means to be a responsible bank and provide actionable guidance for how to achieve this. They drive ambition and challenge banks to continuously increase their contribution towards a sustainable future. The principles will help banks seize the opportunities of the changing economy and society of the 21st century by creating value for both society and shareholders, and help banks build trust with investors, customers, employees and society.</p> <p>More information: https://www.unepfi.org/banking/bankingprinciples/</p>
Farm Animal Investment Risk and Return (FAIRR)	2021	<p>FAIRR is a collaborative investor network that raises awareness of the environmental, social and governance (ESG) risks and opportunities brought about by intensive livestock production. FAIRR provides cutting-edge research, best practice tools and collaborative engagement opportunities to help investors integrate these risks and opportunities into their investment decision-making and active stewardship processes.</p> <p>More information: www.fairr.org</p>
Taskforce for Nature Related Financial Disclosure (TNFD)	2021	<p>Swisscanto has observer status since 2021 and is represented by Rocchino Contangelo, Head of Research, Global ESG Integrated.</p> <p>A Taskforce for Nature Related Financial Disclosure (TNFD) is being established to support the financial sector to address the market and systemic failures contributing to the erosion of natural capital. The TNFD will lead to new ways of identifying and valuing nature-related risks, as well as identifying the economic opportunities of protecting and nurturing biodiversity and ecosystems. The Observer Group serves as a reference point for inputs from both financial and non-financial organisations to ensure adequate linkages are made to the downstream/broader impacts of nature-related risks and provides different stakeholder perspectives.</p> <p>More information: www.tnfd.info</p>

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About us

Swisscanto by Zürcher Kantonalbank

The Asset Management of Zürcher Kantonalbank

Proven specialists develop high-quality investment and pension solutions for private investors, companies, and institutions under the Swisscanto brand. With its Swisscanto brand, the Zürcher Kantonalbank Group is one of Switzerland's largest fund providers. It is known for its vanguard role in sustainable investments and its funds regularly achieve national and international recognition.

Swisscanto Fondsleitung AG

Swiss Fund management for Zürcher Kantonalbank and third parties

As one of the leading fund managers in Switzerland, we have been supporting our partners in the fund business since 1960 with efficient and high-quality services. Zürcher Kantonalbank is our owner and main customer. We also support an increasing number of third-party customers with tailor-made services and flexible solutions. Our partners benefit from the first-class credit rating and economies of scale of our parent company.

Swisscanto Asset Management International S.A.

European fund management for Zürcher Kantonalbank and third parties

We develop fund solutions in Luxembourg with different asset classes and risk profiles. We offer private label fund customers an attractive and high-quality alternative. Thanks to our AIFM licence (Alternative Investment Fund Manager), we can also offer our customers services for alternative fund products.

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