

Our investment stewardship activities

Swiss edition

As a global investor with Swiss values, Zürcher Kantonalbank's Asset Management team is aware that environmental, social and corporate governance (ESG) factors can pose significant risks to portfolio investments as well as opportunities for higher risk-adjusted returns.

Our fiduciary duty and social responsibility

We are committed to responsible and sustainable investments as an integral part of our overall asset management strategy. We are convinced that integrating ESG factors enables more informed investment decisions and generates added value for investors and thus for society as a whole. Depending on the portfolio category, our ESG activities may include some or all of the following:

- **Investment stewardship**, i.e. as an active investor promoting best-practice ESG in companies by exercising voting rights and engagement
- **ESG integration**, i.e. minimising ESG risks
- **Controversial topics**, i.e. exclusion criteria
- **Reduction of greenhouse gas emissions** and/or
- **Promoting positive impacts** on our portfolios (i.e. perception of ESG opportunities).

Capital is allocated responsibly, sustainably and in a climate-friendly manner with a focus on generating returns. Our investment stewardship activities complement our ESG-integrated investment focus and sustainability strategy.

Our investment stewardship activities

With our investment stewardship, we want to promote sustainable business practices and compliance with recognised international principles and ESG best-practice standards. In this context, we also support compliant behaviour, adherence to the „checks and balances“ principle, appropriate economic efficiency, environmental and climate protection, promotion of biodiversity, fair working practices and a non-discriminatory working environment as well as compliance with human rights and other best-practice ESG issues.

Our investment stewardship comprises the following active ownership elements:

- As part of proxy voting, we actively and responsibly exercise our voting rights in accordance with our sustainable mindset and strategy.
- Through our active cooperation with issuers, we promote best-practice ESG standards and address our message and strategy on climate change.

Exercise of voting rights (proxy voting)

Voting rights are exercised for our investment funds with listed direct equity investments. Our voting policy is focused on sustainability and updated annually by our external proxy voting consultant ISS and our asset managers. In addition to our engagement activities, we also support ESG-related shareholder proposals at general meetings. Our voting guidelines and voting behaviour are published on [swisscanto.com/voting](https://www.swisscanto.com/voting).

Engagement

Our engagement is primarily driven and determined by our fundamental bottom-up capabilities, and is mainly equity related, but also covers fixed-income securities, which benefits issuers as a whole, regardless of their listed securities. Our engagement activities are based on the following three pillars:

- **Direct dialogue with Swiss issuers**: We strive to create visibility in companies as active investors by promoting best-practice ESG in the interests of our investors and using our internal expertise effectively.
- **Collaborative engagements**: The focus is on promoting best-practice ESG for entire sectors of the economy and achieving environmental and/or social goals (i.e. the 17 UN Sustainable Development Goals). The UN PRI platform is the primary driver of collaborative engagements. However, direct interactions with companies also take place by us alone or selectively with other investors. Furthermore, we also support various ESG initiatives, including ClimateAction100+, TCFD and the Climate Bond Initiative.
- **Global and thematic engagements**: Our focus is on promoting best-practice ESG standards and our climate strategy at a global level in the interests of our investors. Our thematic engagements primarily deal with climate change and cleantech. We have commissioned Sustainalytics to optimise the use of existing resources and communicate our central sustainability goals worldwide. We also participate in these corporate dialogues, depending on their relevance.

¹ Including the investment fund assets of Swisscanto Fund Management Company Ltd. and Swisscanto Asset Management International SA.

² Including the investment fund assets of Swisscanto Fund Management Company Ltd. and Swisscanto Asset Management International SA, insofar as asset management is carried out by Zürcher Kantonalbank's Asset Management.

Climate engagement not only reduces risks ...

We are aware that the various effects of climate change entail considerable economic and business risks. Since the Paris Agreement, there has been a strong social and political readiness to contain greenhouse gas emissions in order to avoid an average global warming of more than 2 degrees Celsius compared to pre-industrial levels. In addition, further efforts are being made to limit the temperature increase to 1.5 degrees Celsius, with companies and regulators increasingly committing to net zero emissions by 2050. We actively address the topic of climate change and urge companies to define an ambitious strategy for reducing greenhouse gas emissions, establish accountability in the boards of directors and incorporate corresponding ESG KPIs into the remuneration systems.

... but also supports our investment decisions

Climate change is currently one of our top topics. We deal with the risk of asset loss of our investments in a low-carbon future (stranded assets) by examining how potential scenarios can affect the relevant business models in the short, medium and long term with regard to sustainability and investment performance.

About Asset Management

Proven specialists develop high-quality investment and pension solutions for private investors, companies and institutions under the Swisscanto brand. Swisscanto is known for its pioneering role in sustainable investments and its funds regularly achieve national and international recognition.

Your contacts

Please send your enquiries by email to:

- Engagement@swisscanto.ch
For all questions relating to engagement and especially for issuers/ companies wishing to contact us.
- Voting@swisscanto.ch
For all questions relating to the exercise of voting rights (proxy voting).

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