



Shedding Light on the ESG Jungle

Recommendations on Transparency and
Minimum Requirements for
Sustainable Investment Approaches and Products

PROGRAM

10:00	Welcoming Remarks	Sabine Döbeli, CEO, Swiss Sustainable Finance (SSF) Adrian Schatzmann, CEO, Asset Management Association Switzerland (AMAS)
10:10	Introducing the Recommendations	Adrian Schatzmann, CEO, AMAS Sabine Döbeli, CEO, SSF
10:30	Case Studies	Aurélia Fäh, Sustainable Finance Expert, AMAS Robert de Guigné, Head of ESG Solutions, Lombard Odier Maxime Perrin, Head of Sustainable Investment, Lombard Odier Nicole Brunhart, Director Strategic Partner Program, Blackrock Ruben Feldmann, ESG Strategy & Business Development, Swisscanto
11:15	Embedding the recommendations in the regulatory landscape	Katja Brunner, Director Legal and Regulatory Projects, SSF
11:25	Closing Remarks	Sabine Döbeli, CEO, SSF Adrian Schatzmann, CEO, AMAS

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OBJECTIVES & AM VALUE CHAIN

WHAT CLIENTS EXPECT...



... AND WHAT THEY GET

TOP 10 CONSTITUENTS

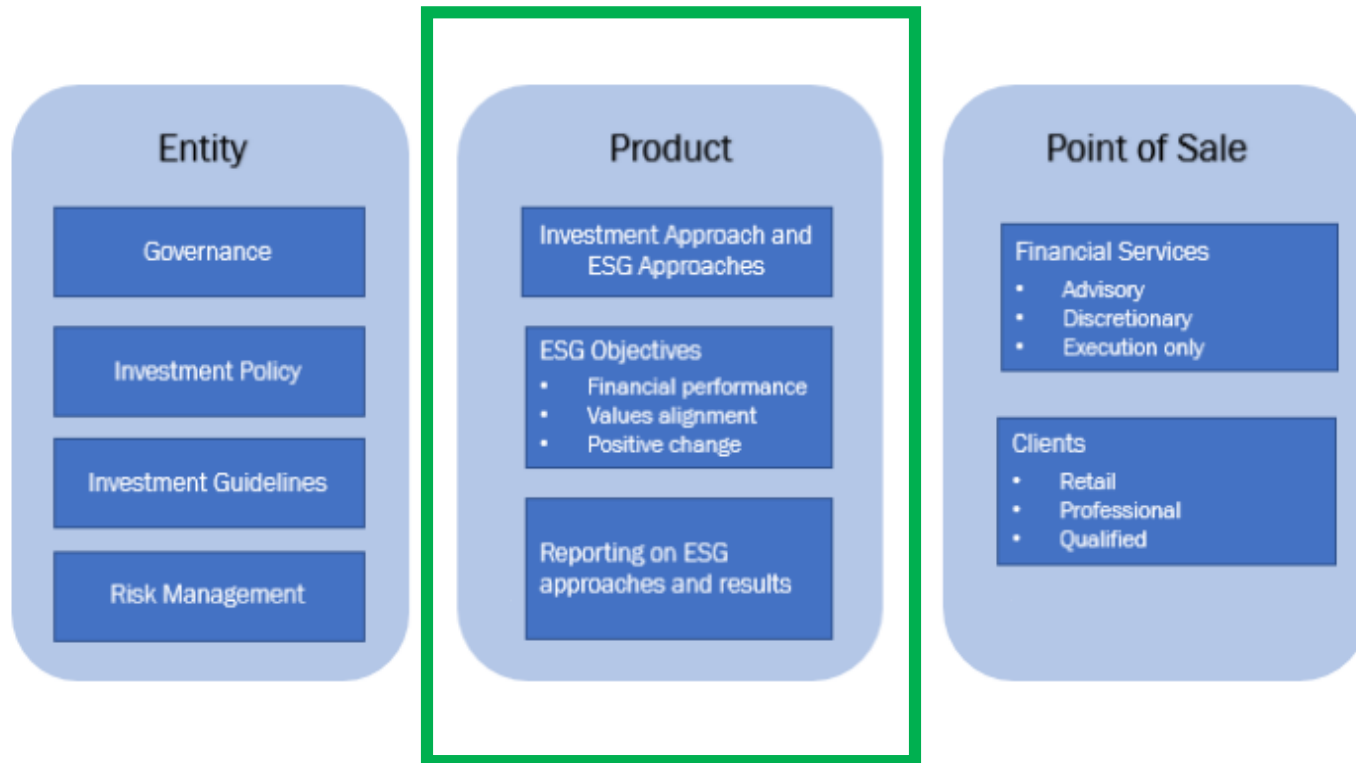
	Country	Index Wt. (%)	Parent Index Wt. (%)	Sector
MICROSOFT CORP	US	14.64	3.88	Info Tech
TESLA	US	5.63	1.49	Cons Discr
NVIDIA	US	3.93	1.04	Info Tech
HOME DEPOT	US	2.44	0.65	Cons Discr
ASML HLDG	NL	2.10	0.56	Info Tech
DISNEY (WALT)	US	1.90	0.50	Comm Srvcs
ROCHE HOLDING GENUSS	CH	1.68	0.45	Health Care
CISCO SYSTEMS	US	1.46	0.39	Info Tech
COCA COLA (THE)	US	1.42	0.38	Cons Staples
PEPSICO	US	1.38	0.37	Cons Staples
Total		36.57	9.69	

Source: MSCI World Index SRI (USD) – Factsheet October 2021

THE CASE FOR THE RECOMMENDATIONS

- Define the various sustainable investment approaches and instruments in more detail and set minimum criteria for the implementation of each of them.
- Specify minimum requirements for investor information on the different investment approaches and instruments.
- Identify which of these sustainable investment approaches satisfy the three main sustainable investor goals most effectively.

GREENWASHING AND THE ASSET MANAGEMENT VALUE CHAIN



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GOALS, APPROACHES & MINIMUM CRITERIA

THREE MAIN INVESTORS' SUSTAINABILITY GOALS

Type of goal	Description
Financial performance goal	Improving the risk/return profile generated by the investments
Values alignment goal	Aligning the investments with investors' personal values and norms
Positive change goal	Contributing to a positive change in the economy, in society and for the environment.

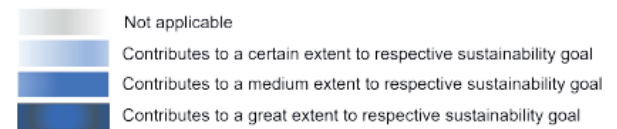
RECOMMENDATIONS ON THREE LEVELS FOR SIX DIFFERENT SUSTAINABILITY APPROACHES

- Explanation on **degree of contribution to the three investor goals**
- Specification of **information requirements** on each of the approaches
- Description of **minimum requirements regarding the implementation** of the different sustainable investment approaches

Sustainability approaches					
Exclusion	Best-In-Class	ESG Integration	Thematic Investments	Impact Investing	Stewardship

EXAMPLE: IMPACT INVESTING (1/3)

Suitability for achieving different investor goals



Investor goals	Suitability for achieving respective goal	Explanations
Financial performance		Since impact investments are often made through private markets (private debt or private equity), they can also provide diversification in the portfolio and thus help to improve the risk/return profile.
Values alignment		<p>Impact investments offer investors the opportunity to participate in companies that make a positive contribution to a more sustainable world.</p> <p>This approach also helps to ensure that investments are aligned with investors' personal values, allowing them to be involved positive change.</p> <p>For institutional investors, impact investments – like thematic investments – can be a way to gear their investment portfolio to the purpose of the organisation. Foundations, for example, can add products to the portfolio that promote the themes embedded in the foundation's objective.</p>
Positive change		<p>Impact investments aim to make an active contribution to a sustainable economy and society.</p> <ul style="list-style-type: none"> One of the key objectives of impact investments is to promote products that help to solve environmental problems or social challenges. Such an impact is achieved if companies with these products receive fresh capital, as happens with investments in private markets. Selective participation in shares or bonds issued by companies offering products that have such an impact is another way to promote similar activities.

EXAMPLE: IMPACT INVESTING (2/3)

Important information for investors

1. Name of the sustainable investment approach
2. Description of the intended impacts (via a “Theory of Change”)
3. Key performance indicators (KPIs) that illustrate the actual impact achieved
4. Applied standards underlying the operational management and measurement of impacts (e.g. the IFC’s “Operating Principles for Impact Management”)

EXAMPLE: IMPACT INVESTING (3/3)

Minimum requirements regarding implementation

- Regular reporting on product level of the impact achieved, based on a recognised standard (e.g. IFC's "Operating Principles for Impact Management")

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SUITABILITY MATRIX

MATCHING SUSTAINABILITY APPROACHES WITH INVESTMENT GOALS

		Sustainability approaches					
		Exclusion	Best-In-Class	ESG Integration	Thematic Investments	Impact Investing	Stewardship
Investors' sustainability goals	Financial Performance						
	Values Alignment						
	Positive Change						

* Refers to Chapter 4.4

** Refers to Chapter 4.6

	Not applicable
	Contributes to a certain extent to respective sustainability goal
	Contributes to a medium extent to respective sustainability goal
	Contributes to a great extent to respective sustainability goal

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CASE STUDIES

JOINT-WORKING GROUP MEMBERS

- Agnès Neher, **Baloise**
- Alexandra Mahler, **Pictet**
- Andreas Knörzer, **Vontobel**
- Claudia Bolli, **Swiss Re**
- Dominik Scheck, **Credit Suisse**
- Martjin Oosterwoud, **UBS**
- Matjas Csiky, **Partners Group**
- Nicole Brunhart, **Blackrock**
- Rainer Baumann, **RobecoSAM**
- Rene Nicolodi, **Swisscanto Invest by Zürcher Kantonalbank**
- Robert de Guigné, **Lombard Odier**

LOMBARD ODIER & ESG INTEGRATION

TARGETNETZERO EQUITY INVESTMENT STRATEGIES

A LOW TRACKING ERROR EQUITY STRATEGY TO HELP DE-CARBONIZATION

AMAS/SSF Sustainability goals

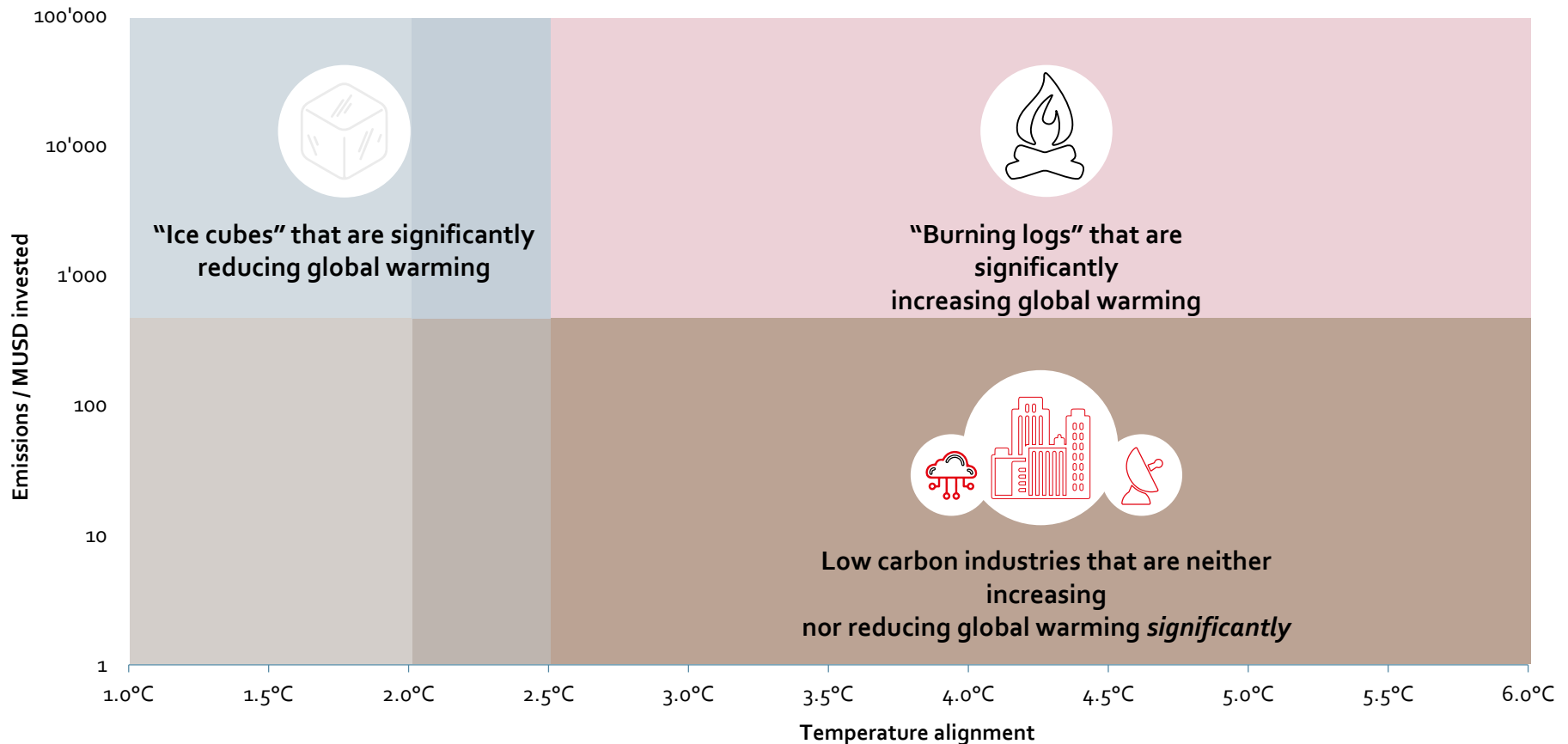


Committed to decarbonisation	Positive change	Targeting net zero by 2050 Target lower temperature scenario, enabling capital flows to companies aligned with the Paris Agreement Reduce carbon footprint relative to the benchmark by at least 30%,
Wider returns opportunity	Financial performance	Capturing opportunities and reducing risk Identifies and favours ' ice cubes ', companies on a low forward temperature trajectory often misinterpreted as climate transition laggards Penalise ' burning logs ', carbon-intensive companies with high temperature trajectories
Ethical concerns	Value alignment	Exclusions and underweights Controversial weapons, tobacco, essential food commodities Highly controverted companies, worst business practices

ASSESSING CURRENT EMISSION TRANSITION TRAJECTORIES

TEMPERATURE ALIGNMENT TELLS HOW EFFICIENT IS THE DECARBONIZATION -
CARBON FOOTPRINTS TELL US HOW CLIMATE INFLUENT

Illustrative example of company footprints and temperature alignment



Source: LOIM analysis. For illustrative purposes only.

TARGETNETZERO EQUITY INVESTMENT STRATEGIES

A STRATEGY COMBINING DIFFERENT APPROACHES

Exclusion

Exclusion of companies involved in controversial weapons
Exclusion of companies linked to nuclear weapons in countries not signatories of non-proliferation treaty
Exclusion of companies involved in Tobacco

Best-in-Class

Negative screening

Underweighting of companies exposed to severe controversies
Underweighting of companies aligned to high temperature scenario that contribute to increase global GHG emissions

Positive screening

Overweighting of companies aligned on low temperature scenario that contributes to decrease global GHG emissions
Overall portfolio ESG score must be better than the benchmark ESG score

ESG integration

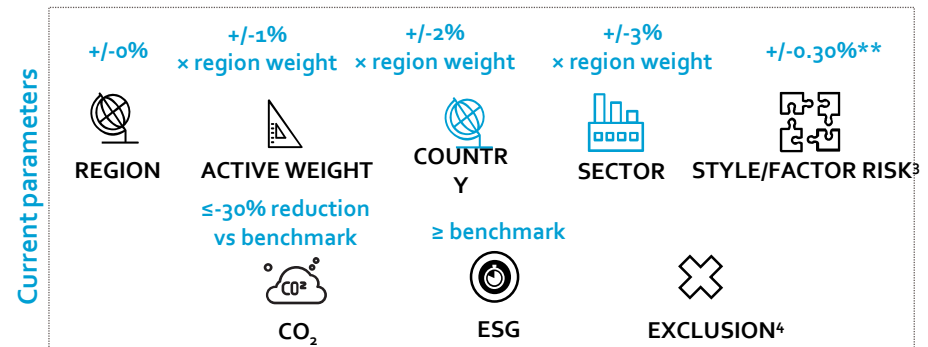
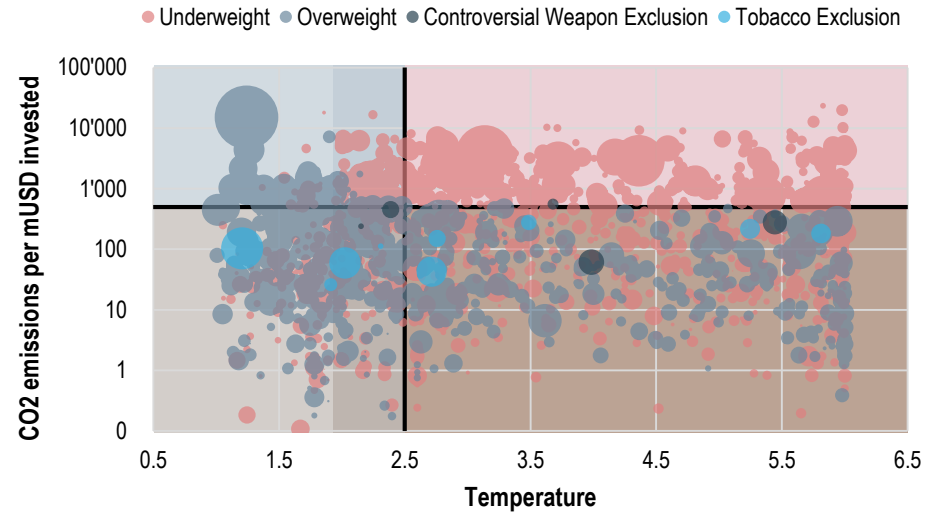
The strategy aims to capture opportunities and reduce risks by increasing exposure to companies with trajectories declining towards 2050 net-zero targets, while reducing exposure to companies that are unlikely to achieve this.

TARGETNETZERO GLOBAL EQUITY

CHARACTERISTICS

		TargetNetZero Global Equity	MSCI World
Strategy key metrics	Temperature	1.7°C	2.9°C
	Carbon Footprint vs benchmark ¹	-31%	0%
	Self carbon reduction in 2050	-54%	1%
	ESG Rating	73.84	72.93
	Tracking Error ²	0.44%	
	Number of stocks	775	1555
Active weight	Ice cubes	3.14%	
	Burning logs	-9.18%	
	Stock (except exclusions)	0.54%	
	Region	0.17%	
	Country	0.34%	
	Sector	0.68%	
Style bias	% Style bias contribution to total risk	1.62%	
Backtested relative performance in USD*	Annualized Excess Return	0.65%	
	Annualized Tracking Error	0.01	
	Information Ratio	0.91	
	Max Relative Drawdown	-1.14%	
Backtested performance attribution in USD*		1Y	3Y
	Total excess return	-0.16%	3.01%
	TargetNetZero	-0.12%	1.55%
	CO ₂ reduction	-0.24%	0.46%
	Exclusions ³	0.21%	1.00%



Temperature Distribution



SWISSCANTO INVEST & BEST-IN-CLASS

THE SWISSCANTO PRODUCT RANGE AT A GLANCE

			Best-in-class						
Positive Selection									
Investment Process	Product line	Application ¹	Stewardship Voting Engagement	Controversies Swisscanto Blacklist	Further Exclusions	ESG ESG Integration	Climate CO2e Reduction	Impact Impact Investing	Transparency Sustainability Reporting
Active	Sustainable	Impact strategies with a very high degree of sustainability	✓	✓	✓	✓	✓	✓	✓
		Traditional, active investment strategies	✓	✓	✓	✓	✓		✓
		Direct real estate	✓	✓		✓	✓		✓
Passive		Index Responsible	✓	✓	✓	✓	✓		✓
	Traditional	Standard index strategies	✓	✓					

 Increase in sustainability
 

¹ The sustainability approaches apply to the entire portfolio or to a significant part of the portfolio assets. Individual criteria can be implemented differently for the various product lines.

POSITIVE SELECTION THROUGH PROPRIETARY ESG SCORES

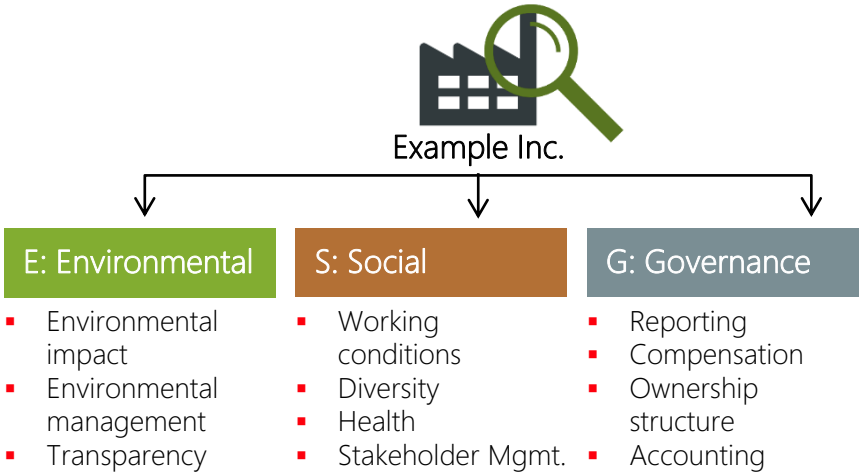


Investor goals	Suitability
Financial Performance	+++
Values Alignment	+++
Positive Change	+

Our conviction

«Systematic integration of sustainability research leads to better investment decisions»

Swisscanto ESG Score as the basis for integration



Implementation in the portfolios



Active funds:

In-depth analysis of ESG risks and opportunities

Index Responsible:

Exclusion of the lagging 20% per sector/region as a starting point

BEST-IN-CLASS SELECTION ON SUSTAINABLE SOLUTION PROVIDERS



We focus on companies that can capitalize on the expected creation of 12bn global GDP and 380mn new jobs worldwide through their solutions for the SDGs*



Energy

- Alternative energy
- Energy efficiency



Mobility

- Public transportation
- Clean personal transportation



Resources

- Water
- Resource Efficiency



Health

- Access to health care
- Public health



Finance

- Financial inclusion
- Financial infrastructure



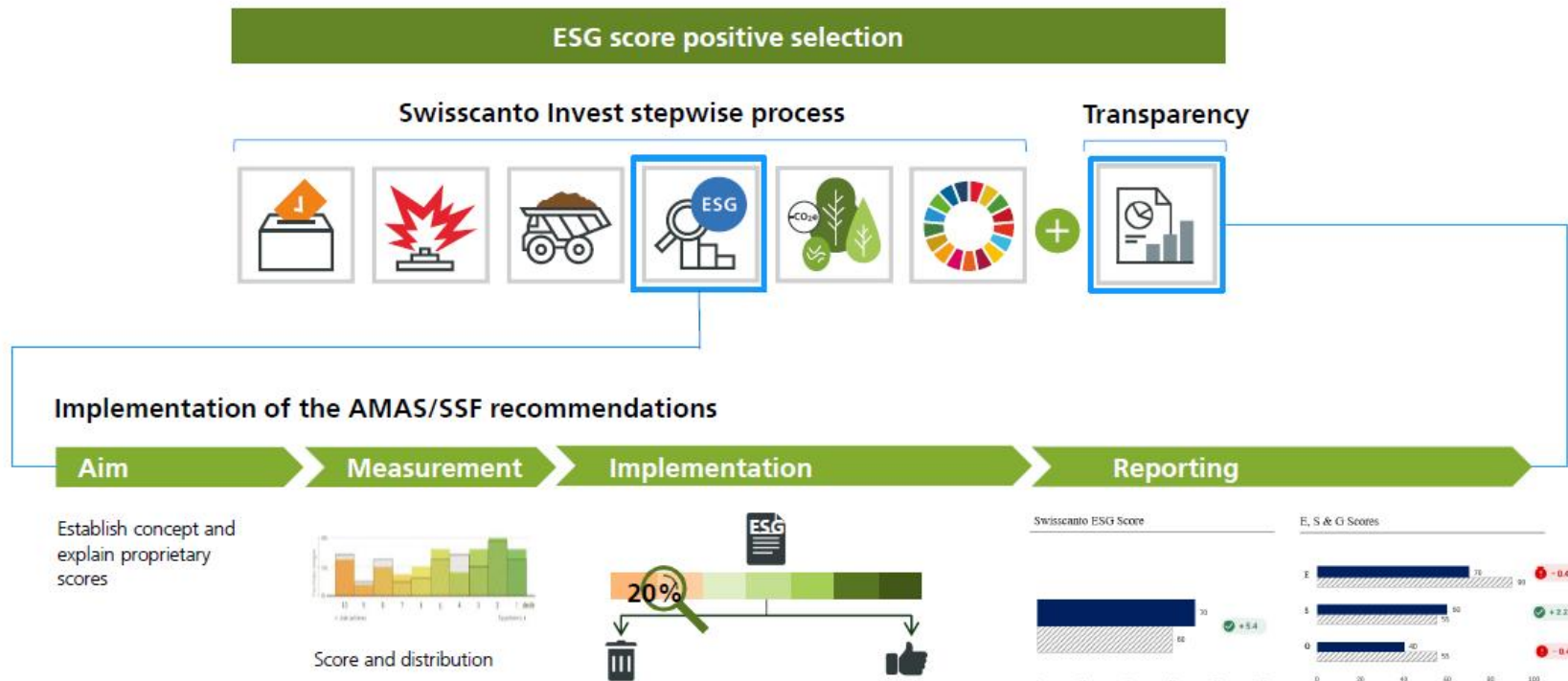
Knowledge

- Education
- Connectivity



* Source: UN Principles for Responsible Investment, Study «The SDG investment case» <https://www.unpri.org/sdgs/the-sdg-investment-case/303.article>

ESG POSITIVE SELECTION AND/OR BEST-IN-CLASS IS APPLIED IN EVERY ACTIVE PRODUCT



Climate Strategy Swisscanto | September 2021

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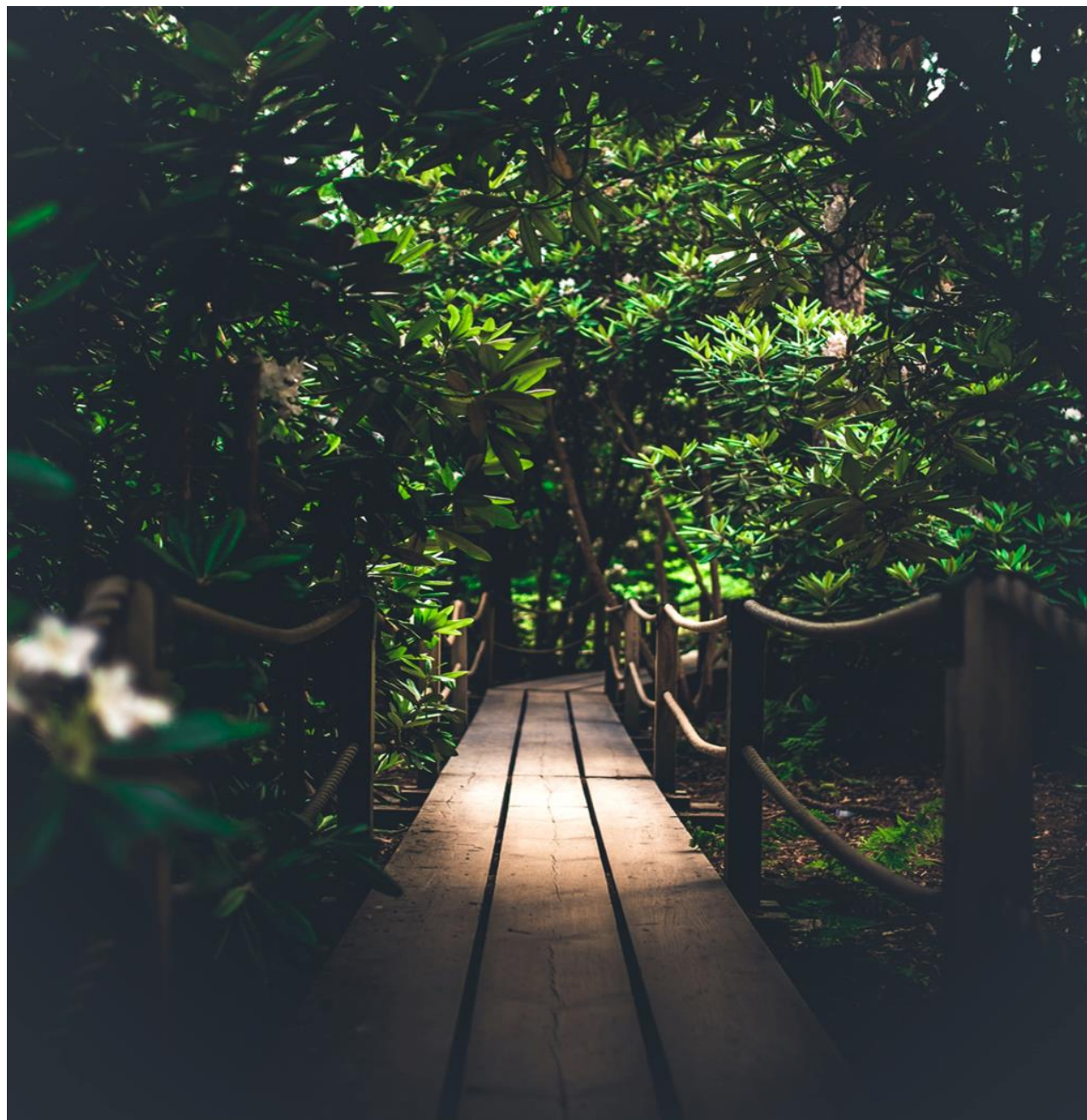


**Swisscanto
Invest**

by Zürcher Kantonalbank

Q & A

Online using
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EMBEDDING THE RECOMMENDATIONS INTO THE REGULATORY LANDSCAPE

SCOPE OF THIS PRESENTATION

Big picture of

- how Greenwashing is addressed in the **different** legal systems in Switzerland and the EU
- how the AMAS/ SSF recommendations of December 2021 are embedded into the regulatory landscape (**focus Switzerland**)

Reminder

- **Basis** of AMAS/ SSF recommendations of December 2021:
 - AMAS/ SSF key messages and recommendations of **June 2020** for a sustainable Asset Management

GREENWASHING - TERM

"Inappropriate use or deliberately misrepresented use of sustainability-related practices, products and disclosures by financial market participants that vary in scope and severity."¹

- This can result in investors purchasing products that do not meet their expectations from a sustainability perspective which, over time, may lead to an undermining of investor confidence.

Scope of Greenwashing

Terminology

- Inappropriate use of sustainability related terms

Entity level

Disclosure on policy and procedure

- Lack of information on or misrepresentation about an entity's sustainability related commitments in the investment or advisory process

Product level

Disclosure on policy and procedure

- Lack of information of or misrepresentation about a product's sustainable characteristics (prospectus, key information document, marketing)

Severity
varies
within each
scope

Education & Regulation as key factors to address greenwashing

¹ Based on IOSCO Consultation Report of June 2021 and final report "Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management" of November 2021

SWISS REGULATORY LANDSCAPE



<https://mapscaping.com/blogs/geo-candy/what-is-cartography>

KEY FINANCIAL MARKET REGULATION

The term “greenwashing” is **neither defined nor used by the Swiss financial market law**. However, where **investor protection provisions** apply, greenwashing practices are tackled by many articles of the regulatory regime. The key words frequently used are “misleading”, “false” and “deceptive”.

Rough overview of the key financial market regulation:

Financial Services Act (FINSA)

- Applicable for **financial services provider**
- “**Point of sale**”:
 - investment advise
 - portfolio management
 - execution-only
 - pure fund distribution

Collective Investment Schemes Act (CISA)

- Applicable for **collective investment schemes** & persons responsible for these assets (**Funds & Asset Management Industry**)
- Product-rules (e. g. approval requirement)

REGULATOR

Measures regarding greenwashing

Federal Council

- **Report on Sustainable Finance (June 2020)**
 - International competitiveness for the Swiss financial centre
 - Availability of clear, comparable and reliable information on the profile of investments

- **Measures announced by press releases (December 2020 and November 2021)**

Federal Department of Finance (**FDF**) in collaboration with the Federal Department of the Environment, Transport, Energy and Communications (**DETEC**) and **FINMA**:

- Proposal by the **end of 2022** on **how financial market legislation** could be **amended** in order to avoid greenwashing (focus transparency)

REGULATOR

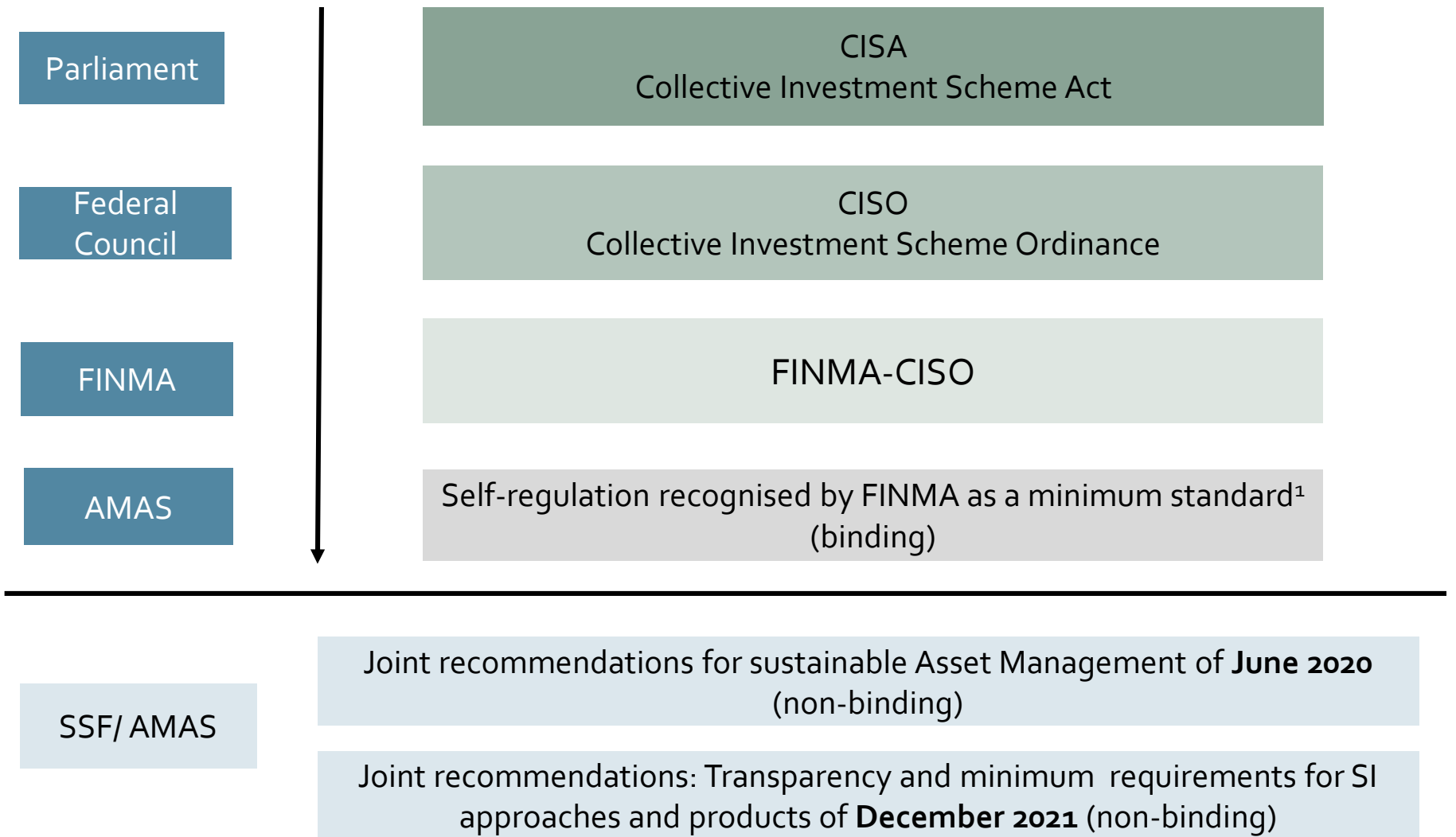
Measures regarding greenwashing

FINMA

- **Article 12 CISA (Protection against confusion or deception)**
 - Specifies that the names of collective investment schemes must not provide any grounds for confusion or deception
- **FINMA Guidance 05/2021 of 3 November 2021**
 - Requirements for sustainability-related **collective investment schemes**
 - **Transparency and reporting at fund level:**
 - **Organisational** requirements at the institutional level for managing funds

COLLECTIVE INVESTMENT SCHEME ACT (CISA)

Legislative hierarchy in general



EU REGULATORY LANDSCAPE



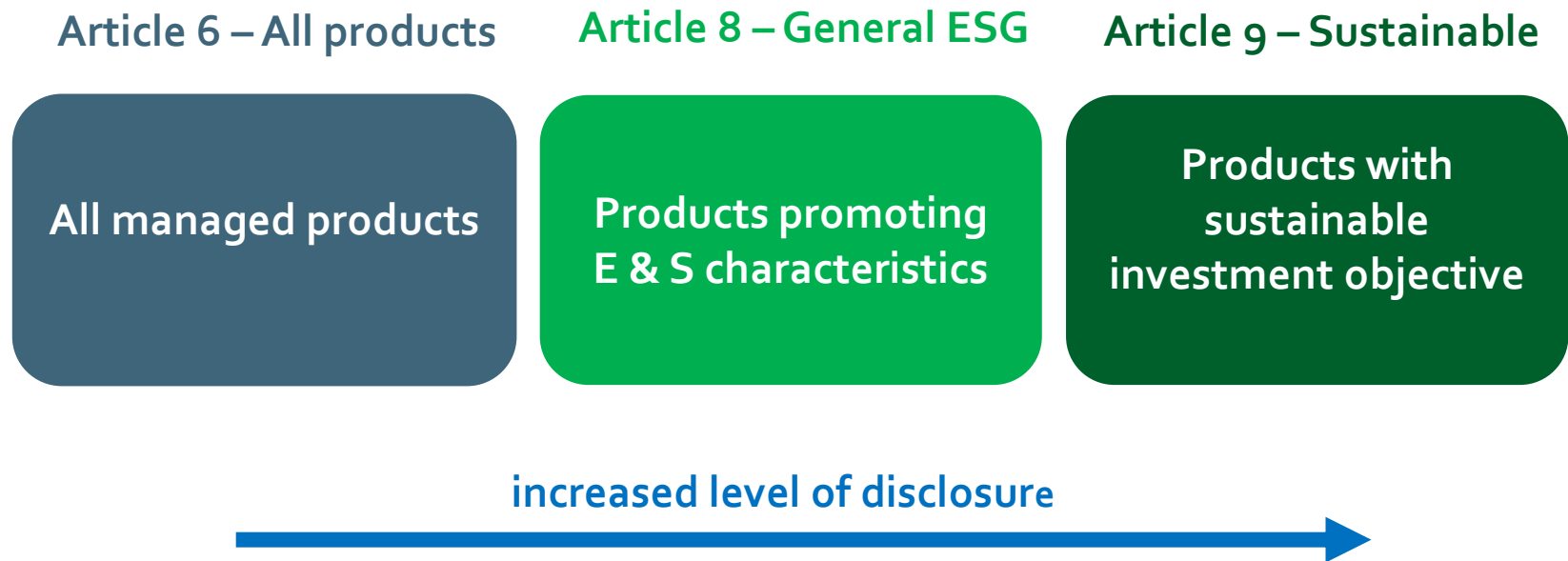
SUSTAINABLE FINANCIAL DISCLOSURE REGULATION

Objective of the SFDR

- **Objectives**
 - Establishes harmonised rules on disclosure of sustainability information of financial products
 - Provide more transparency on sustainability in a standardised way
 - Prevent greenwashing
 - Ensure comparability
- **Disclosure requirements at**
 - entity
 - service («pre-contractual») and
 - product level

SFDR

Product classification



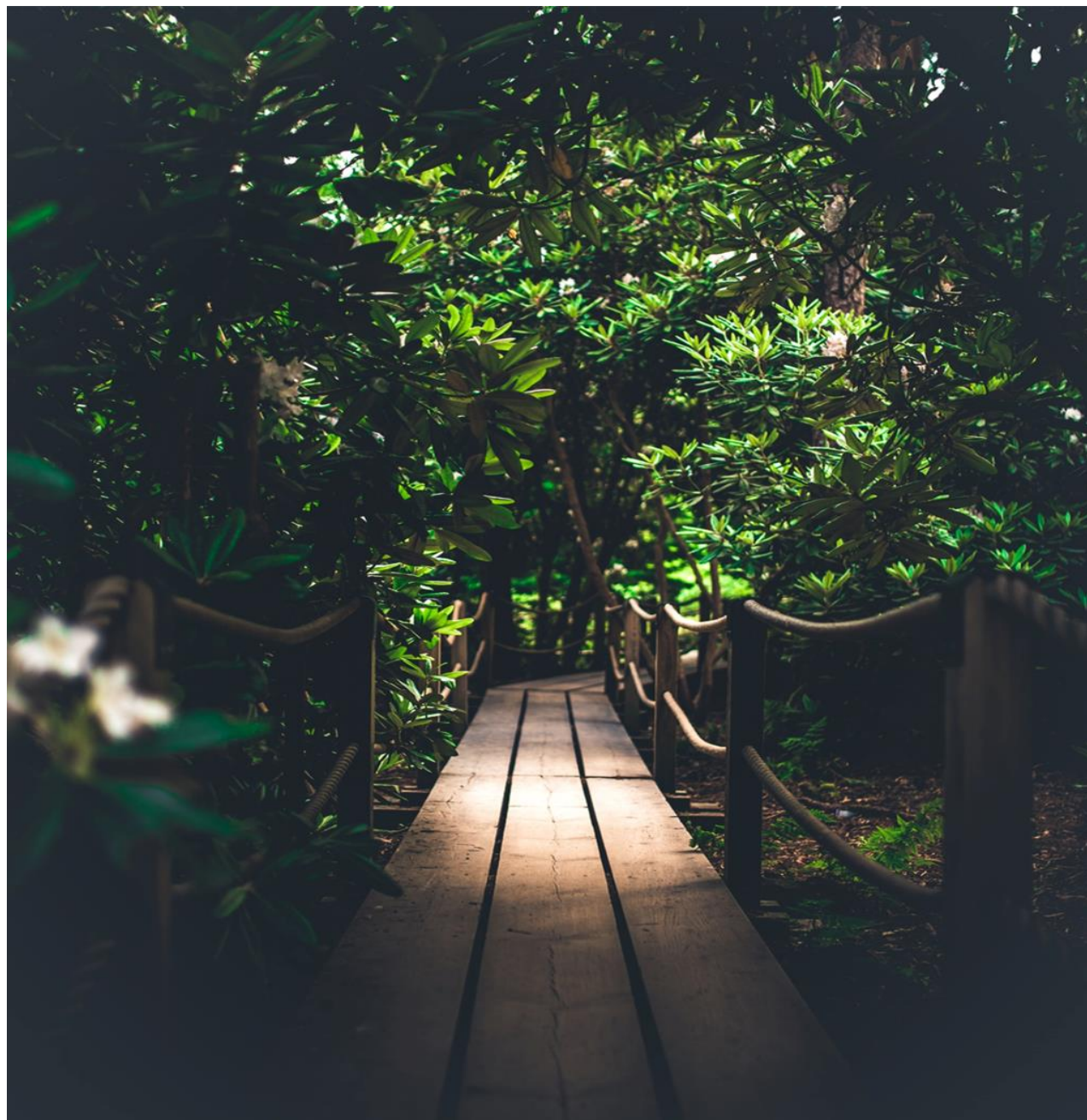
CONCLUSIONS

Recommendations of AMAS/ SSF of December 2021

- Helpful tool for asset managers to **communicate clearly** and in a **standardised way** with the client in order to avoid greenwashing
- Complementary to existing and upcoming national and international regulatory frameworks
- Recommendations do not contradict any legal obligations, nor does it discharge the asset managers from such obligations.

Q & A

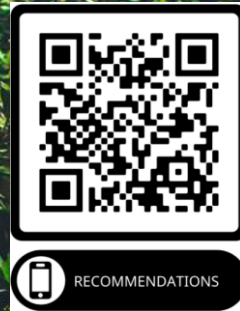
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CLOSING REMARKS

Thank you for your attention



Recommendations on Transparency and
Minimum Requirements for
Sustainable Investment Approaches and Products