European SRI Transparency Code

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: www.eurosif.org. The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif on February 19, 2018.

REVISION OF THE CODE

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

GUIDING PRINCIPLE

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

COMMITMENTS BY SIGNATORIES

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- Responses should be updated at least on an annual basis and should have a precise publication date;
• Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;
• Signatories are solely responsible for the answers to the questions, and should state this in their response.

**Statement of Commitment**

**Complete/modify the below section accordingly**

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of Bank J. Safra Sarasin Ltd. We have been involved in SRI since 1989 and welcome the European SRI Transparency Code.

This is our thirteenth statement of commitment and covers the period 01.10.2018 to 31.09.2019. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.

**Compliance with the Transparency Code**

Bank J. Safra Sarasin Ltd is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. Bank J. Safra Sarasin Ltd meets the full recommendations of the European SRI Transparency Code.

DATE 08.01.2019

**Eurosif classification of Sustainable and Responsible Investment’s strategies**

**Sustainability Themed Investment**: investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

**Best-in-Class Investment Selection**: approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

**Norms-Based Screening**: screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

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1 Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016
**Exclusion of Holdings from Investment Universe**: an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

**Integration of ESG Factors into Financial Analysis**: the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

**Engagement and Voting on Sustainability Matters**: engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

**Impact Investing**: impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances. Investments are often project-specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French *fonds solidaires*.

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2. General information about the fund management company
3. General information about the SRI fund(s) that come under the scope of the Code
4. Investment process
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6. Impact measures and ESG reporting

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1. **List of funds covered by the Code**

**Names of the funds:**
- JSS Sustainable Portfolio - Balanced (EUR)
- JSS Sustainable Portfolio - Defensive (CHF)
- JSS Sustainable Portfolio - Swiss Flexible

<table>
<thead>
<tr>
<th>Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)</th>
<th>Asset class</th>
<th>Exclusions standards and norms</th>
<th>Fund capital as at 31 December</th>
<th>Other labels</th>
<th>Links to relevant documents</th>
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</thead>
<tbody>
<tr>
<td>☐ Engagement &amp; Voting</td>
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<td>☐ French TEEC label</td>
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<td>☒ ESG Integration</td>
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<td>☒ Controversial weapons</td>
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<td>☐ French CIES label</td>
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<td>☐ Alcohol</td>
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<td>☐ Luxflag Label</td>
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<td>☐ Tobacco</td>
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<td>☐ FNG Label</td>
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<td>☐ Norms-Based Screening</td>
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<td>☐ Arms</td>
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<td>☐ Austrian Ecolabel</td>
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<td>☐ Leading to exclusions</td>
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<td>☐ Nuclear power</td>
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<td>☐ Other (please specify)</td>
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<tr>
<td>☐ Leading to risk management analysis/engagement</td>
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<td>☐ Human rights</td>
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<td>☐ Sustainability Themed</td>
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<td>☐ Labour rights</td>
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<td>☐ Gambling</td>
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<td>☐ Pornography</td>
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<td>☐ Animal testing</td>
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<td>☐ Conflict minerals</td>
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<td>☐ Biodiversity</td>
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<td></td>
<td>☐ Deforestation</td>
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<td>☐ CO2 intensive (including coal)</td>
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<td></td>
<td>☐ Genetic engineering</td>
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<td>☐ Other (please specify)</td>
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<td>☐ Global Compact</td>
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<td>☐ OECD Guidelines for MNCs</td>
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<td>☐ ILO Conventions</td>
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<td>☐ Other (please specify)</td>
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</tr>
</tbody>
</table>
2. General information about the fund management company

2.1. Name of the fund management company that manages the applicant fund(s)

Fund management company Swiss funds:

J. Safra Sarasin Investmentfonds Ltd
Wallstrasse 9
Postfach
4002 Basel
Switzerland
Email: SIF.Data@jsafrasarasin.com
For further information on the funds please see also:

Fund management company for Lux funds:

J. Safra Sarasin Fund Management (Luxembourg) S.A.
11-13, Boulevard de la Foire
1528 Luxembourg
Grand Duchy of Luxembourg
Tel. +352 26 25 21 - 1
Fax +352 26 25 21 - 49
Email: jssfml_info@jsafrasarasin.com
Internet: http://fundmanagement-lu.jsafrasarasin.com/internet/fmlu/fmlu_index
2.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

The Bank is a pioneer in the field of sustainable financial investments, with around 30 years of experience:

1989  First asset management mandates based on ecological criteria
1994  World's first eco-efficient fund (today named JSS Sustainable Portfolio - Balanced (EUR))
1998  Extension of sustainability analysis to small and mid-cap universe
2003  Introduction of sustainability ratings for government bonds and public sector bonds financial institutions
2006  Implementation of the first sustainable mandates for private clients and managed-fund portfolios
2008  Introduction of single and multi-thematic equity strategies
2009  Management of private client mandates according to sustainability criteria; launch of sustainable direct real estate funds
2010  Launch of sustainable emerging market funds
2013  Introduction of "Sustainable Investment 2.0" - implementation throughout the investment process
2014  New Corporate Sustainability Board chaired by a member of the Management Board; new external Sustainability Advisory Council
2015  International presence through events on PRI Research & Innovation and Responsible Investing Pension Fund Awards
2016  Introduction of ESG analysis & reporting for private and institutional clients

The ESG philosophy of Bank J. Safra Sarasin is integrated into its CSR strategy. See Annual Report 2017, pp. 85-88:


2.3. How does the company formalise its sustainable investment process?


2.4. **How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?**

- The fundamental investment philosophy of Bank J. Safra Sarasin is based on our conviction that it is the fiduciary duty of all long-term-oriented asset managers and investors to integrate Environmental, Social and Governance (ESG) factors into financial analysis.
- Long-term returns can only be achieved if the ability of future generations to meet their needs is not diminished. Achieving that goal will require extensive economic, environmental, social, governance and regulatory changes to which investors can contribute through investing sustainably.
- These challenges need to be recognised early and embedded into the entire investment process in order to reduce related investment risks and capture the potential opportunities.
- Our investment process helps identify companies which take advantage of ESG opportunities and avoid those companies which are exposed to unmanaged ESG risks. Such risks often entail concurrent financially material consequences such as the threat of litigation or reputational loss.
- The opportunities may stem from exposure to megatrends (e.g. natural resource constraints, climate change, demographical change), as companies with the solutions to face these trends can be expected to increase in value. More efficient use of resources offers further opportunities.
- The result of our company analysis shows how well a company is positioned to manage its financially material ESG risks and opportunities.
- As such, the integration of ESG factors into our analysis results in a deeper understanding of the sustainability and viability of a company. It greatly increases the transparency and confidence in the conclusions of our research and significantly improves the risk/return profile of our client portfolios.

![ESG factors diagram](image)

All our funds are managed in accordance with our 4-pillars-strategy on climate change (see below, 3.4.).

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3 Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)
2.5. **How many employees are directly involved in the company’s sustainable investment activity?**

J. Safra Sarasin has its own Sustainable Investment Research team in Asset Management. This department employs seven people whose task it is to assess companies, institutions, countries and real estate from an environmental, social and corporate governance (ESG) perspective.

The seven portfolio managers in the Multi Asset Institutional team are also involved in the process.
2.6. **Is the company involved in any RI initiatives?**

<table>
<thead>
<tr>
<th>General Initiatives</th>
<th>Environmental/Climate Initiatives</th>
<th>Social Initiatives</th>
<th>Governance Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ EFAMA RI WG</td>
<td>☐ Climate Bond Initiative</td>
<td>☐ Access to Nutrition Foundation</td>
<td>☐ Other (please specify)</td>
</tr>
<tr>
<td>☐ European Commission’s High-Level Expert Group on Sustainable Finance</td>
<td>☐ Green Bond Principles</td>
<td>☐ Accord on Fire and Building Safety in Bangladesh</td>
<td>PRI – Investor statement on ESG in Credit Ratings</td>
</tr>
<tr>
<td>☐ ICRR – Interfaith Center on Corporate Responsibility</td>
<td>☐ IIGCC – Institutional Investors Group on Climate Change</td>
<td>☐ Other (please specify)</td>
<td></td>
</tr>
<tr>
<td>☐ National Asset Manager Association (RI Group)</td>
<td>☐ Montreal Carbon pledge</td>
<td>Workforce Disclosure Initiative (ShareAction)</td>
<td></td>
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<tr>
<td>☒ PRI – Principles for Responsible Investment</td>
<td>☒ Paris Pledge for Action</td>
<td>FAIRR</td>
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<tr>
<td>☒ SIFs – Sustainable Investment Fora</td>
<td>☒ Portfolio Decarbonization Coalition</td>
<td>PRI – Engagement on Cyber Security</td>
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<tr>
<td>☒ Other (please specify)</td>
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<td>Swiss Sustainable Finance Sustainable Finance Geneva (SFG)</td>
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<tr>
<td>Global Footprint Network</td>
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<td>öbu-Verband für nachhaltiges Wirtschaften</td>
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<tr>
<td>UN Global Compact</td>
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</tbody>
</table>

2.7. **What is the total number of SRI assets under the company’s management?**

Ca. EUR 25 billion (as of end of 2017).

3. General information about the SRI fund(s) that come under the scope of the Code

3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

We identify the following motivations and approaches to sustainable investing:

![Investor Motivations Diagram]

<table>
<thead>
<tr>
<th>Avoid Controversial Exposures</th>
<th>Mitigate ESG Risks</th>
<th>Harness ESG Opportunities</th>
<th>Target Positive Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce Access to Finance for targeted Industries</td>
<td>Endorse Sustainable Business Practices</td>
<td>Promote Sustainable Products &amp; Services</td>
<td>Develop Social &amp; Environmental Solutions</td>
</tr>
</tbody>
</table>

Focus on Positive Impact

Minimise Negative Impact

Investment Approach

- Values Based
  - Weapons, Coal, Gambling
- ESG Integration
  - Best-in-Class, Best Progress
- Thematic
  - Energy, Water, Technology
- Impact
  - Private Equity, Infrastructure, Project Finance

All our sustainable funds are designed to avoid controversial exposures, mitigate ESG risks and harness ESG opportunities. The following funds are also thematically oriented:

- JSS OekoSar Equity - Global
- JSS Sustainable Equity - Tech Disruptors
- JSS Sustainable Equity - Water
- JSS Bluevalor Sustainable Lifestyle Brand Equity
- JSS Sustainable Equity - Global Lifestyle Brands

All our sustainable funds also invest in companies that strive to have a positive impact. An impact fund in the narrow sense is:

- JSS Sustainable Green Bond - Global

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

J. Safra Sarasin has its own Sustainable Investment Research team in Asset Management. This department employs seven people whose task it is to assess companies, institutions, countries and real estate from an environmental, social and corporate governance (ESG) perspective. The analysts use aggregated sustainability data from renowned third-party providers, among other things, to form Bank J. Safra Sarasin's sustainable investment universe. These include MSCI ESG for environmental and social data, Governance Metrics International (GMI; now part of MSCI ESG) for governance data and RepRisk for taking account company-specific reputational risks. We also use VigeoEiris to analyse
environmental and social product and service information (positive selection). These data points are also used for the subsequent detailed company analysis.

In addition, our sustainable investing specialists use a wide range of other sources:

- generally accessible company information and reports (e.g. annual report, sustainability report)
- company visits and management contacts
- systematic monitoring of the print media
- specialized electronic media and the Internet
- research reports
- contacts with non-governmental organisations

This information is interpreted by the respective analysts by means of a comprehensive catalogue of criteria. The results are scored for every individual criterion and entered into a proprietary database (Sustainable Value Builder). The data are then evaluated numerically. The analyst then assesses the results for plausibility and adjusts them if necessary. This is followed by a “peer review”.

3.3. What ESG criteria are taken into account by the fund(s)?

The assessment criteria are categorized as follows and weighted differently according to industry:

- **environmental criteria:**
  - climate change
  - use of natural resources
  - pollution & waste
  - environmental opportunities

- **social criteria:**
  - human capital
  - product liability
  - opposition from interest groups
  - social opportunities

- **governance criteria:**
  - corporate governance
  - business conduct

Companies that generate revenues with activities in the following areas are excluded from the investment universe:

Nuclear energy (a revenue threshold of 5% is applied), defence and armament (a revenue threshold of 5% is applied and the 25 global largest defence companies are excluded), genetic engineering (agriculture), genetic engineering (medicine), tobacco, adult entertainment, human rights violations and coal (on coal, please see also the following question).
3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?

Our 4 pillars strategy:

- **Smart Divestment**: Exclude companies to avoid potentially stranded assets (e.g., coal).
- **Best-in-Class & Integration**: Select companies that manage climate risks best.
- **Active Ownership**: Engage with companies and exercise voting rights to advance climate action.
- **Opportunities**: Target companies that offer climate solutions.

1. **Smart Divestment**

Our smart divestment approach builds on a 2°C global warming scenario, considering the current share of coal in the world energy mix (today: 29% according to the International Energy Agency) and its path towards a complete phase out (by 2050). Our research approach combines quantitative and qualitative elements. Candidates for exclusion are companies:

- whose involvement in coal mining or coal power generation is currently close to or higher than sensible levels in a 2°C scenario. In particular, we use a 20% revenue threshold to build our screen.
- whose climate change mitigation and energy transition strategy is insufficient from a 2°C perspective. In particular we look at companies’ carbon emissions mitigation efforts (notably through technical measures such as carbon capture or process optimization) and their plans for cleaner energy generation (this applies to utilities based on their relative renewables generation capacity and development plans).

The process starts with a comprehensive screening on our universe of issuers, based on the exposure and management criteria previously described. Our Sustainable Investment Analysts then review candidate companies and decide on their exclusion using complementary sources to validate or challenge the screening results.

2. **Best-in-Class selection & integration**

Beyond divestment, companies are compared on their ability to reduce their negative climate impact within their peer group. This approach is known as Best-in-Class. More precisely, the objective is to select companies with a superior management of climate-related issues. For example, we rank Industrials and Materials companies on their carbon

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intensity and mitigation efforts. In other sectors, we focus on the environmental footprint of products or on risks deriving from financing environmentally sensitive projects. The integration of relevant climate change data points into traditional financial analysis complements the Best-in-Class selection approach.

3. Active Ownership: Discussing climate challenges with companies and other stakeholders

In pillar 3, we actively engage with companies to foster their efforts in aligning with a 2°C world. We see engagement as a dialogue between investors and companies with the dual objective of impacting how companies operate and enhancing shareholder returns. Overall, around 25% of our direct company dialogues related partially or solely to climate change topics in 2016. In addition, Bank J. Safra Sarasin contributed to different collaborative and public policy engagement initiatives, which were often coordinated by the United Nations (UN) -supported Principles for Responsible Investment (PRI) initiative. Among others, Bank J. Safra Sarasin participated in the PRI-led engagement on carbon footprint disclosure and signed a global investor letter to the G20 on climate change.

4. Opportunities: Always look on the bright side of life

Beyond the risk perspective, we perceive and actively look for opportunities in companies that provide solutions to climate challenges. Specifically, such companies should have answers to issues caused by climate change and/or help this trend to happen more smoothly in general. Here again, we use dedicated criteria to identify companies with the best positioning in opportunities connected to such climate solutions. Relevant data points relate, for example, to opportunities in clean technologies, renewable energy or green buildings.
3.5. **What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?**

The sustainability assessment consists of two components. For companies, these are:

**The industry analysis**

Depending on the industry, the specific environmental, social and governance risks are weighted differently. For example, environmental criteria are given less weight for banks than for mining companies. The methodology is reviewed annually by the Sustainable Investment Research Team as well as by an internal and an external advisory board.

**Company analysis**

Each company's positioning and effective performance in relation to the ESG criteria relevant to the given industry is assessed relative to that industry.

The investment process takes place as follows:

1) **Sustainability analysis at industry level**

On the one hand, the analysts identify and weight the relevant ESG criteria. All industries have certain ESG aspects in common, in particular governance aspects such as board, compensation and ownership. Environmental and social criteria differ from industry to industry or are weighted differently. On the other hand, the general factors and the structure of the industry are also examined. The resulting industry knowledge is directly incorporated into the company analysis.

2) **Sustainability analysis at company level**

We analyse whether a company is adequately positioned to identify ESG opportunities and and reduce ESG risks. Its actual "ESG performance" is compared with its competitors within the respective industry.

The results of the sustainability analysis are included in the company analysis in two respects:

**Negatively:** Companies that generate sales in the following areas are excluded from the investment universe:

Nuclear energy (a revenue threshold of 5% is applied), defence and armament (a revenue threshold of 5% is applied and the 25 global largest defence companies are excluded), genetic engineering (agriculture), genetic engineering (medicine), tobacco, adult entertainment, human rights violations and coal.

Within the "human rights violations" criterion, the UN Global Compact standards and the ILO core conventions are taken into account, for example.
The criterion “human rights violations”, for instance, includes consideration of the UN Global Compact norms.

**Positively:** Companies, countries and institutions are plotted on the Sarasin Sustainability-Matrix® on the basis of the research findings using the criteria specified in point 2c. The fund managers may only invest in issuers if they are positioned in the area shaded blue of the matrix shown below.

![Sarasin Sustainability-Matrix®](image)

Sarasin Sustainability-Matrix®

In total, around 7700 companies are evaluated with respect to their ESG performance. Around 3400 are included within the J. Safra Sarasin investment universe and are therefore available for investment.

For **countries**, we measure sustainable economic development based on the availability of natural resources and the efficiency with which these resources are used. In this case, the availability of natural resources (shown on the horizontal axis in the following figure) forms the basis for sustainable economic growth. This includes four key issues:

- water, including availability of water and water stress
- land, including availability/use of forests and arable land
- energy, including renewable energy and energy efficiency ratios
- external environmental costs, including biodiversity and air pollution

The other dimension, "resource efficiency" (represented on the vertical axis in the following figure), comprises the assessment of environmental, social and political aspects as well as framework conditions that build on available resources and are necessary to promote sustainable development. Resource efficiency covers four key issues:

- human capital, including population structure and educational requirements
- economic framework conditions, including income distribution and business climate
- fiscal policy, including debt and foreign trade
- governance, including institutions and corruption
We display the 198 analysed countries in the Sarasin Sustainability Matrix® along two dimensions: resource availability and resource efficiency. The countries in the shaded area are relatively better positioned and are available for investment, whereas it is not possible to invest in countries in the white area (as of August 2016).

Bank J. Safra Sarasin bases its sustainability assessments of countries on 98 data points from publicly available sources, including Amnesty International, the United Nations, the World Bank, Economist Intelligence Unit, Freedom House, IMF, OECD and the US Central Intelligence Agency.

For national and supranational institutions that issue bonds, we assess on the one hand the compatibility of their respective mandate with sustainability and on the other their sustainability in performing this mandate, using the criteria that we apply for the sustainability ratings of companies. In the case of public covered bonds, which are used to finance sovereign debt, the sustainability of the collateral is analysed on the basis of the sustainability ratings of the countries concerned.

3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

The research process is reviewed annually and, if necessary, adjusted and updated. There have been no changes in the last twelve months.
4. **Investment process**

4.1. **How are the results of the ESG research integrated into portfolio construction?**

The ESG criteria relate to the criteria mentioned in point 3.

4.2. **How are the criteria specific to climate change integrated into portfolio construction?**

Please see above, 3.4.

4.3. **How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?**

Not applicable. Maximum share = 0% (all titles in the sustainable funds are subject to ESG analysis).

4.4. **Has the ESG evaluation or investment process changed in the last 12 months?**

No.

4.5. **Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?**

No (these funds only invest in listed companies).

4.6. **Does (do) the fund(s) engage in securities lending activities?**

No.

4.7. **Does (do) the fund(s) use derivative instruments?**

In principle, both exposure-increasing and exposure-reducing derivatives are permitted, and exposure-reducing derivatives are usually used.

The use of exposure-enhancing derivatives may result in a slight deterioration in the quality of sustainability, while the use of exposure-reducing derivatives may improve the sustainability profile somewhat.

However, the investment guidelines must always be complied with, taking into account the economic exposure of the derivatives. There are no specific limits for derivative transactions. However, the use of derivatives must never lead to a breach of the investment limits (tactical bandwidths).

4.8. **Does (do) the fund(s) invest in mutual funds?**

No.
5. **ESG controls**

5.1. **What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?**

An external Advisory Board for sustainable investments provides advice for the further development of our sustainable investment products and, when necessary, our corporate sustainability. The permanent members are Dr Wolfgang Engshuber und Dr Andreas G. F. Hoepner, both proven and internationally renowned experts in the field of sustainable investment, who are joined by other external experts or organizations, depending on the thematic focus.

A department organizationally separate from Asset Management (Risk Office) checks whether the invested securities are rated “sustainable”, using the database provided by the Sustainable Investment Research Team. If this is not the case, titles must be sold immediately.

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5 Reference to Article 173 of the French TECV Act
6. Impact measures and ESG reporting

6.1. How is the ESG quality of the fund(s) assessed?

Our ESG portfolio analysis shows relevant company-specific environmental (E), social (S) and corporate governance (G)-related portfolio indicators. The analysis identifies strong and weak ESG performance and identifies possible alternatives. Our ESG portfolio reporting summarises the analysis and graphically presents our investment universe.

Issuers and Industry Ratings

Using our proprietary sustainability rating methodology, all holdings are rated on selected environmental, social and governance KPIs. In this way, the portfolio can be mapped onto the Sarasin Sustainability Matrix®. The following illustration shows this for a model portfolio:

![Sustainability Matrix®](image)

Explanation: the portfolio performs better than the benchmark on company and industry sustainability measures on an asset weighted basis. All holdings plot in the upper right of the Sarasin Sustainability Matrix® and are eligible for the sustainable investment universe.
**Pillar Scores**

Explaination: Similarly, the holdings attain consistently slightly higher average scores across the environmental, social and governance pillars versus the benchmark. This results in a globally lower sustainability risk profile of the portfolio.

**Key Issues Methodology**

We present selected sustainability KPIs for the top 10 most heavily invested companies to illustrate specific input variables for the environmental, social and governance components of each company rating.

**Example (model portfolio):**

<table>
<thead>
<tr>
<th>Top 10 Holdings</th>
<th>Industry</th>
<th>Key Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microsoft Corporation (4.7%)</td>
<td>Systems Software</td>
<td>Privacy &amp; Data Security</td>
</tr>
<tr>
<td>Amazon.Com, Inc. (3.5%)</td>
<td>Internet &amp; Direct Marketing Retail</td>
<td>Labor Management</td>
</tr>
<tr>
<td>The Pnc Financial Services Group, Inc.</td>
<td>Regional Banks</td>
<td>Financial System Instability</td>
</tr>
<tr>
<td>Mondelez International, Inc. (3.2%)</td>
<td>Packaged Foods &amp; Meats</td>
<td>Opportunities in Nutrition &amp; Health</td>
</tr>
<tr>
<td>Welbilt, Inc. (3.2%)</td>
<td>Industrial Machinery</td>
<td>Opportunities in Clean Tech</td>
</tr>
<tr>
<td>Reckitt Benckiser Group Plc (3.1%)</td>
<td>Specialty Stores</td>
<td>Chemical Safety</td>
</tr>
<tr>
<td>Tractor Supply Company (3%)</td>
<td>Internet Software &amp; Services</td>
<td>Product Carbon Footprint</td>
</tr>
<tr>
<td>Facebook, Inc. (2.9%)</td>
<td>Paper Packaging</td>
<td>Privacy &amp; Data Security</td>
</tr>
<tr>
<td>Sealed Air Corporation (2.7%)</td>
<td>Internet Software &amp; Services</td>
<td>Raw Material Sourcing</td>
</tr>
<tr>
<td>Ebay Inc. (2.7%)</td>
<td></td>
<td>Privacy &amp; Data Security</td>
</tr>
</tbody>
</table>
Further, we calculate the portfolio’s (Scope 1+2) carbon footprint based on the investors claim on each company’s assets, and allocate the carbon emissions reported from those assets to the invested capital.

Example (model portfolio):

![Carbon Footprint Chart]

Explanation: the portfolio has a significantly lower carbon footprint compared to its benchmark. This results mainly from investment decisions with regards to the Utilities, Materials and Energy sectors.
In addition, we present the top 10 holdings in terms of contribution to the portfolio’s carbon footprint along with the adequacy of their efforts to mitigate related risks and impacts (policies, measures incl. efficiency, abatement,... and performance). This illustrates the gap that can exist between the CO2 intensity nature of specific companies’ activities and the measures these companies take to reduce their footprint. Indeed, a relatively high footprint is not necessarily the result of a lax approach to climate issues. With impact in mind, through our methodology, we value companies that demonstrate the strongest efforts in addressing climate challenges that are specific to their business. Model portfolio:

<table>
<thead>
<tr>
<th>Issuer Name</th>
<th>Industry</th>
<th>Share of portfolio footprint</th>
<th>Footprint mitigation efforts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owens Corning</td>
<td>Building Products</td>
<td>24.3%</td>
<td>above average</td>
</tr>
<tr>
<td>Conocophillips</td>
<td>Oil &amp; Gas Exploration &amp; Production</td>
<td>19.7%</td>
<td>above average</td>
</tr>
<tr>
<td>Equinor Asa</td>
<td>Integrated Oil &amp; Gas</td>
<td>12.2%</td>
<td>above average</td>
</tr>
<tr>
<td>Sealed Air Corporation</td>
<td>Paper Packaging</td>
<td>6.4%</td>
<td>above average</td>
</tr>
<tr>
<td>Amcor Ltd</td>
<td>Paper Packaging</td>
<td>6.2%</td>
<td>above average</td>
</tr>
<tr>
<td>Adient Public Limited Company</td>
<td>Auto Parts &amp; Equipment</td>
<td>5.9%</td>
<td>low</td>
</tr>
<tr>
<td>Tractor Supply Company</td>
<td>Specialty Stores</td>
<td>3.5%</td>
<td>below average</td>
</tr>
<tr>
<td>Mondelez International, Inc.</td>
<td>Packaged Foods &amp; Meats</td>
<td>2.6%</td>
<td>above average</td>
</tr>
<tr>
<td>3M Company</td>
<td>Industrial Conglomerates</td>
<td>2.2%</td>
<td>above average</td>
</tr>
<tr>
<td>Daikin Industries,Ltd.</td>
<td>Building Products</td>
<td>2.1%</td>
<td>above average</td>
</tr>
</tbody>
</table>

To illustrate the role of carbon efficient company selection over sector allocation we calculate the weighted average emissions per unit of company sales for the portfolio and benchmark in each sector. Model portfolio:

![Carbon Intensity Chart]

Explanation: The portfolio has a lower carbon intensity than the cap weighted sector benchmark average in most sectors. Clear positive results can be again found in the Utilities and Materials sectors.
Using our comprehensive carbon emissions and reserves database of over 8500 issuers we can estimate portfolio exposure to potentially stranded fossil fuel reserves. We are also able to estimate an investor's claim on the volume of reserves, and calculate the future emissions based on emissions per unit of fuel. Model portfolio:

Explanation: Portfolio holdings have lower fuel reserve ownership stakes vs the benchmark and in particular no coal exposure. This is notably due to Bank J. Safra Sarasin’s coal exclusion policy, one of the means to address climate change challenges.
In addition, we prepare a Controversy Monitoring, using the following methodology: Controversial business practices and negative reputational risks are captured using a real time algorithmic rule based analysis of thousands of news sources in multiple languages. This process, developed in tandem with RepRisk, results in a Company Issue Index for every analysed issuer on a wide array of ESG themes, which are incorporated into a company’s final sustainability rating. Here we present companies with the highest CII scores in the portfolio and benchmark, and an asset weighted total portfolio CII score over time. Model portfolio:

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Company Issue Index (0 - low / 5 - high)</th>
<th>Most controversial topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reckitt Benckiser Group Plc</td>
<td>2.55</td>
<td>Child Labor</td>
</tr>
<tr>
<td>Kering S.A.</td>
<td>2.45</td>
<td>Tax Evasion</td>
</tr>
<tr>
<td>Alphabet Inc.</td>
<td>2.45</td>
<td>Anti-competitive Practices</td>
</tr>
<tr>
<td>Asos Plc</td>
<td>2.35</td>
<td>Violation of National Legislation</td>
</tr>
<tr>
<td>Mastercard Incorporated.</td>
<td>2.35</td>
<td>Anti-competitive Practices</td>
</tr>
<tr>
<td>Kobe Steel, Ltd.</td>
<td>3.45</td>
<td>Fraud</td>
</tr>
<tr>
<td>Bt Group Plc</td>
<td>3.10</td>
<td>Violation of National Legislation</td>
</tr>
<tr>
<td>Hang Lung Properties Limited</td>
<td>3.05</td>
<td>Impacts on Communities</td>
</tr>
<tr>
<td>Wynn Resorts, Limited</td>
<td>3.00</td>
<td>Executive Compensation Issues</td>
</tr>
<tr>
<td>Chipotle Mexican Grill, Inc.</td>
<td>2.85</td>
<td>Products (Health and Environmental Issues)</td>
</tr>
</tbody>
</table>

ESG portfolio analysis and reporting are used for the internal monitoring of portfolios and are delivered to institutional clients every six months (and to other clients on request). The reporting meets the requirements of Article 173 of the French TECV Regulation.
6.2. **What ESG indicators are used by the fund(s)?**

Sustainability Criteria Scores: MSCI IVA
CO2-Data: MSCI Carbon Metrics
Data on reputational risks: RepRisk
Impact Data: VigeoEiris.

6.3. **What communication resources are used to provide investors with information about the SRI management of the fund(s)?**

The following information about our sustainable funds is available:

- Company sustainability profiles upon request
- Sustainability report in the Annual Reports
- ESG portfolio analysis upon request


6.4. **Does the fund management company publish the results of its voting and engagement policies?**

Yes, in the Annual Report. See, for instance, the Annual Report for 2017, pp. 93-94:


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6 Reference to Article 173 of the French TECV Act
7 Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE