Asset Management

CREDIT SUISSE

Impact and engagement report

Credit Suisse (Lux) Edutainment Equity Fund

March 2022

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Introduction

We are very grateful for the support we have received from clients around the world who have entrusted us with their capital. In the Credit Suisse (Lux) Edutainment Equity Fund we have built a portfolio of disruptors and innovators that are improving the efficiency and effectiveness of education, life-long learning, and career mobility.

We seek exposure to companies that are helping to lower the rising cost of education, enable more accessible, flexible, and engaging learning, and improve access to jobs and career enhancement opportunities. The investment strategy is therefore aligned with two of the United Nations Sustainable Development Goals (UN SDGs) and their subgoals: “quality education” (SDG number 4, subgoals 1, 3, and 4), and “decent work and economic growth” (SDG number 8, subgoals 2 and 5). In this report, for the first time, we quantify our portfolio exposure to these UN SDGs and their subgoals.

Many of our portfolio companies are digital-based businesses, since technology is a key factor in lowering costs and improving access in many industries. Those companies benefit, for example, from the continual increase in computing power and falling prices of digital devices, which create a beneficial price deflationary tailwind for their solutions and services. In contrast, the low level of adoption of technological innovation in the broader education sector is one of the reasons why the costs of traditional teaching have spiraled out of control in recent years. This is why our investment focus tends to be on technology-based businesses.

Our pure-play investment philosophy remains a key principle that determines our thematic approach as well as the main differentiating factor compared to our peers. This typically means that we have a smaller-cap bias and narrower investment universe than our peers. On the other hand, our benchmark-agnostic global approach means that we source our investments from anywhere in the world where we see the best opportunities. However, such small-cap, growth and international biases may also result in heightened volatility, a scenario that has materialized in recent times.

This report describes our integrated approach to thematic investing and active ownership, as well as how we look at impact. It details the fund’s exposure to companies that we think provide urgently required solutions to solve today’s challenges in education, skills, and careers, and it lists our activities as an active owner of those companies. We also share case studies of a selection of our holdings and, as before, we disclose how every company in our portfolio helps to contribute to the relevant UN SDG with a relevant quantitative metric.

Foreword

In 2020, schools and universities experienced a major disruption as the pandemic pushed students and teachers into months – and sometimes years – of remote learning. This catalyzed an unprecedented experimentation with online technologies, and significant budgets were deployed in trying to make remote and hybrid learning as effective as possible.

As the pandemic wanes and students are mostly back in classrooms and lecture theatres, it has become clear that tech-enhanced education is here to stay. Many educators are now comfortable with these technologies, and they are implementing hybrid approaches to learning at a scale not seen before COVID-19.

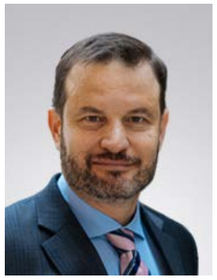
But education technology is not just about schools and universities. As the pandemic disrupted industry after industry, many workers realized that they were not interested in returning to their old jobs, and so kicked off the "Great Resignation." Many of these workers have neither the time nor the money to go back to college for years. Online learning and vocational training technology ("voctech") have stepped up to offer fast, cheap, and responsive learning content as well as support infrastructure to allow people to rapidly develop their knowledge and skills, and gain employment in new areas.

The world is changing fast, and entire new industries are emerging at lightning speed. And many industries – for better or worse – are becoming more flexible and jobs less secure, and there has been a significant rise in freelancing.

People need to be able to rapidly upskill themselves and will choose shorter, lower-cost, and more responsive learning options, and these new models will almost always be online. People also need platforms to help match these newly acquired skills with opportunities in the global economy.

While in-person education (which itself is increasingly leveraging technology) will continue to be essential, we are seeing tremendous growth in online education and vocational platforms that support adults in pivoting and adapting in their careers in this fast-changing world.

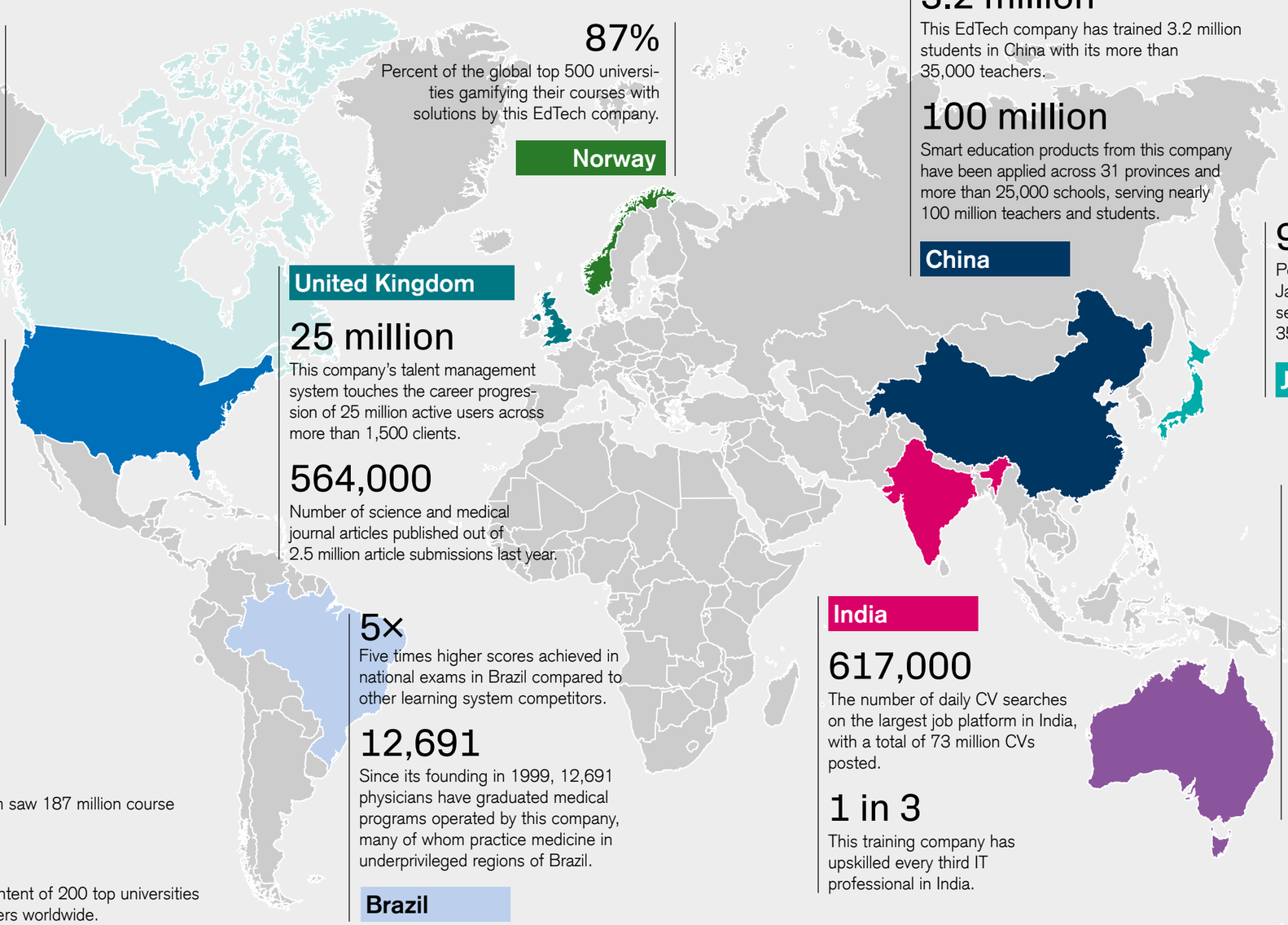
At Credit Suisse, we are proud that the Credit Suisse (Lux) Edutainment Equity Fund is at the forefront of investing in and supporting these innovative companies that are building solutions to help people realize their potential.



Dr. James Gifford
Head of Sustainable & Impact Investing and Thought Leadership

Our portfolio companies impact education globally

We invest globally in companies whose activities generate quantifiable positive impacts on the societies they operate in. This map presents some of those impacts – for more data about the difference our portfolio companies are making, see the "Impact" section of this report.



Canada

9.5 million
The learner-centric learning management platform had 1,930 customers and more than 9.5 million registered users last year.

Norway

87%
Percent of the global top 500 universities gamifying their courses with solutions by this EdTech company.

China

3.2 million
This EdTech company has trained 3.2 million students in China with its more than 35,000 teachers.

100 million
Smart education products from this company have been applied across 31 provinces and more than 25,000 schools, serving nearly 100 million teachers and students.

Japan

95.4%
Positive feedback rate achieved by this Japanese corporate training company that served over 20,000 sessions last year for 350,000 attendees online and offline.

United Kingdom

25 million
This company's talent management system touches the career progression of 25 million active users across more than 1,500 clients.

564,000
Number of science and medical journal articles published out of 2.5 million article submissions last year.

United States

92%
Aided by 59 million pieces of learning library content and 24/7 access to tutors, 92% of students say that this company helps them get better grades.

Brazil

5×
Five times higher scores achieved in national exams in Brazil compared to other learning system competitors.

12,691
Since its founding in 1999, 12,691 physicians have graduated medical programs operated by this company, many of whom practice medicine in underprivileged regions of Brazil.

India

617,000
The number of daily CV searches on the largest job platform in India, with a total of 73 million CVs posted.

1 in 3
This training company has upskilled every third IT professional in India.

Australia

180,000
This company offers 180,000 courses and programs across 600 leading universities to international students who wish to study abroad in English-speaking countries.

> 45 million
This online job matching company has relationships with over 230,000 hirers and over 45 million candidates in Asia and the Americas.

Worldwide

187 million
This online learning platform saw 187 million course enrollments last year.

200
This platform makes the content of 200 top universities available to 77 million learners worldwide.

Source Credit Suisse, data as of December 31, 2021
For further details please contact your Relationship Manager.
For illustrative purposes only. To the extent that this page contains statements about the future, such statements are forward looking and are subject to a number of risks and uncertainties and are not a guarantee of future performance.

What's new in this report

Risks

- The fund does not offer capital protection: investors may lose all or part of their investment in this product.
- Political developments concerning the education industry could have a significant adverse impact on the edutainment sector.
- Exposure to smaller companies can result in elevated short-term volatility and may carry liquidity risk.
- A higher concentration in specific sectors may fall out of investor favor at certain points in time.
- There are risks arising from a factor bias toward a growth investment style with an overweight in small- and mid-cap stocks in particular.
- Since the fund focuses on highly innovative companies, volatility can be significantly elevated. Exposure to emerging markets may result in even higher volatility.

This edition of the Credit Suisse (Lux) Edutainment Equity Fund impact and engagement report updates and expands on the previous report. Specifically, the most significant new elements that we have added this year are:

- Quantification of the alignment of our portfolio with UN Sustainable Development Goals by subgoal.
- An expanded discussion on the purpose of education and return on investment (ROI) in education.
- An update of our engagement activity.

Sustainable Development Goals alignment
Education is the very foundation of socioeconomic development and contributes to the elimination of poverty and inequality. This is why access to quality education is the United Nations' fourth SDG, and advancing this goal also contributes to other UN SDGs. In this updated report, we attempt for the first time to show directly the aggregate revenue exposure of our portfolio to each of the relevant SDGs and its subgoals. Our proprietary methodology and findings are presented in the "Impact" section of this report.

Focus on outcomes
In this report, we dedicate significant space to a discussion of the purpose of learning, and we introduce the concept of return on investment (ROI) in education. As the ultimate purpose of education is to achieve gainful employment, we highlight recent trends that we observe in both education and in the work environment that improve this ROI in education. We call them the Future of Learning (FoL) and the Future of Work (FoW). As in our previous report, we provide the most relevant quantitative metric for every portfolio company that demonstrates how it helps to advance the relevant SDG.

Continued engagements on environmental, social, and governance (ESG) topics
Our focus on smaller caps means that we are one of the largest institutional investors in many of our portfolio companies. This gives us a powerful voice and direct access to senior management when discussing critical issues and suggesting additional ESG initiatives where appropriate. We continue to take full advantage of this opportunity, engaging with the majority of our portfolio companies on a range of topics. Our goal is to maintain a continuous dialog.
In this report, for the first time, we provide some case studies where we believe our engagement has helped those companies. As in the previous report, we also list all of our engagement activities.

SFDR classification, internal and external sustainability recognition
The Credit Suisse (Lux) Edutainment Equity Fund is classified as an Article 9 product according to the EU Sustainable Finance Disclosure Regulation (SFDR), as it has sustainable investments as a primary investment objective. In 2021, the fund was recognized externally with the Towards Sustainability and LuxFlag ESG labels and was classified internally by Credit Suisse as a Sustainable Thematic fund.

Sustainable Thematic

ESG
LUXFLAG Label

For more information about the methodology, please visit towardssustainability.be and luxflag.org.
ESG stands for environmental (E), social (S), and governance (G). More information about sustainable investing is available at credit-suisse.com/am/esg. For further information about our Sustainable Investing Policy, please visit credit-suisse.com/esg.
This product undertakes investments that are dedicated to addressing the United Nations Sustainable Development Goals (e.g. education or clean energy) through a thematic approach.

Our Edutainment strategy

Our portfolio is diversified, with 40 international companies that disrupt the learning and skills sectors in two broad areas: Future of Work (FoW) and Future of Learning (FoL). These companies can also be allocated to three subthemes: innovative services, digital content, and systems and tools. We maintain our preference for more profitable companies in our sector. Thus, a vast majority of the companies in the fund are already profitable today, and we expect the rest to reach profitability over the next couple of years.

To the extent that this page contains statements about the future, such statements are forward looking and are subject to a number of risks and uncertainties and are not a guarantee of future results.

Top 10 holdings as of February 28, 2022	% weight	Subtheme	Area
Chegg Inc.	4.4	Digital Content	Future of Learning
Learning Technologies Group PLC	4.3	System and Tools	Future of Work
Stride Inc.	4.0	Innovative Services	Future of Learning
Docebo Inc.	4.0	System and Tools	Future of Work
Iflytek	3.8	System and Tools	Future of Learning
Coursera Inc.	3.7	Digital Content	Future of Learning
Upwork Inc.	3.5	Innovative Services	Future of Work
Workday Inc Class A	3.5	System and Tools	Future of Work
Fiverr International Ltd.	3.4	System and Tools	Future of Work
Relx Plc	3.3	Digital Content	Future of Work

Procyclical and countercyclical exposure
Both areas – FoW and FoL – are structurally growing, and both have benefited from the global pandemic. Today, we have a slightly larger exposure to the FoW segment versus FoL. The FoW part is procyclical, as it benefits from the return to work and corporate spend. In contrast, FoL is countercyclical and would benefit when the job market is weaker.

Pandemic a strong catalyst
The specific benefit for FoL that propelled its adoption ahead by five to ten years was the removal of bottlenecks (specifically, the resistance of teachers to using new technology and the hesitancy of parents to consider online education) and the inflow of new capital. For FoW, the benefits included the shift toward more remote working and changes in employment patterns, which resulted in the need for new skills and short courses.

Pure-play approach and small-cap focus
Our pure-play investment philosophy and focus on innovators means that we invest primarily in smaller companies, in many cases yesterday's start-ups that have only recently debuted on public markets. Over 80% of our portfolio is allocated to companies below USD 10 billion market capitalization (mcap) in size, and nearly 38% to companies under USD 2.5 billion mcap. For our clients, this means that we offer a portfolio of companies that are largely undiscovered, typically with little overlap with their existing holdings.

Market capitalization in %	Fund
Super-large caps (>USD 50 bn)	9.0
Large caps (>USD 10 bn <USD 50 bn)	7.6
Mid-caps (>USD 2.5 bn <USD 10 bn)	38.4
Small caps (<USD 2.5 bn)	44.6
Cash/cash equivalents	0.3

Data as of February 28, 2022

This is an indicative allocation, which may change over time. The individual companies mentioned on this page are meant for illustration purposes only and are not intended as a solicitation or an offer to buy or sell any interest or any investment.

Return on investment in education

Why do people spend so much time on education? Is it worth it? For most people, the idea is to get a job as quickly as possible, to start earning and paying off the student debt accumulated during the years of study.

Those debts are indeed significant, considering, for example, that the cost of education in the US has risen according to one estimate at about 4.6 times the rate of inflation over the past 50 years.[1] As a result, graduates in the US carry on average USD 30,000 of debt, and, most worryingly, 41% of them are underemployed.[2]

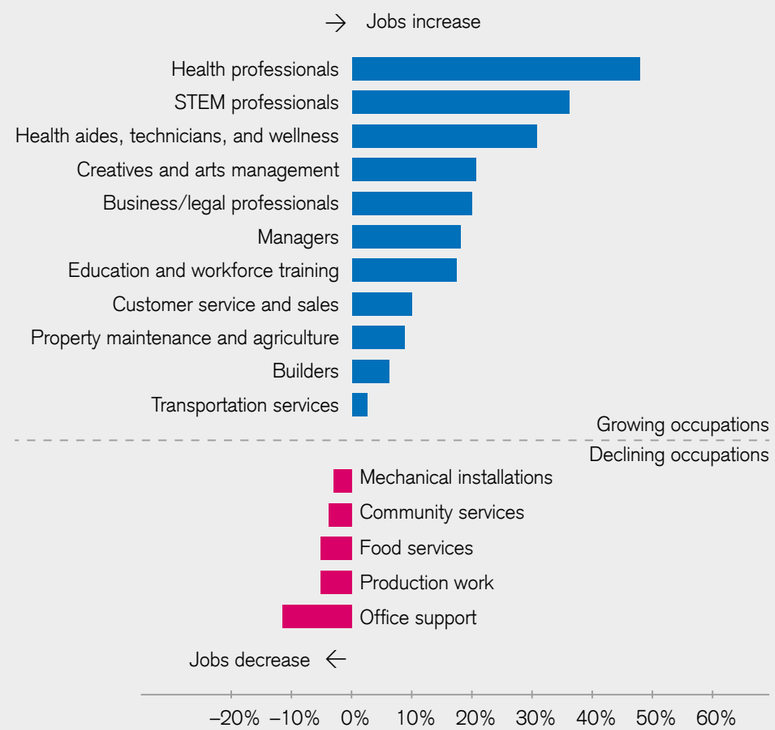
The old model of front-loading education early in life gives way to lifelong learning

One of the reasons for such a high underemployment figure for US graduates is that they have not acquired the relevant skills they need for a specific job. According to the America's Future of Work report by McKinsey, "Workforce skills have been a growing concern in the United States for many years. Now, technology demands new and higher-level skills, including more critical thinking, creativity, and socioemotional skills. The skills needed in fast-growing STEM[3] roles, in particular, are continuously evolving. The old model of front-loading education early in life needs to give way to lifelong learning. Training and education can no longer end when workers are in their twenties and carry them through the decades."[4]

The need to develop relevant skills for employment is well understood, which is why they are part of UN SDG number 4. As target 4.4 reads: "By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship". It specifically states that "beyond work-specific skills, emphasis must be placed on developing high-level cognitive and non-cognitive/transferable skills, such as problem solving, critical thinking, creativity, teamwork, communication skills and conflict resolution, which can be used across a range of occupational fields."[5]

It is not just the type of skills but also the profile of the job market and demand for certain professions that are constantly evolving. On the one hand, automation is phasing out jobs in office support, production work, food services, and retail sales.[6] On the other hand, demographic issues such as an ageing population in particular are boosting demand for qualified healthcare professionals, which is now among the fastest-growing professions in the US.

McKinsey forecast for potential job growth in the US, 2017 to 2030



Source McKinsey Global Institute, data as of February 28, 2022

[1] Fox Business. 2021. College costs have risen at nearly 5x the rate of inflation, report finds.
[2] Chegg. 2020. Q2-20 Investor Presentation. 7.
[3] STEM: science, technology, engineering, mathematics.
[4] McKinsey. 2020. America's Future of Work.
[5] SDG4education2030.org. 2020.
[6] Frey, C. 2019. The Technology Trap. Princeton University Press.

Skills, lifelong learning, and vocational training will be the next battleground
We believe that providing more relevant skills for employment, as well as professional and vocational training in the most employable professions, is becoming the next battleground for educational technology (EdTech) companies.

For example, Chegg Inc, one of the stalwarts of the EdTech sector in the US, recently acquired the online skills-based learning platform Thinkful. Specifically noting that 85% of Thinkful graduates get jobs in their field of study within six months of graduating from their program, Chegg's CEO said: "Students are increasingly looking to improve their professional opportunities by learning the most relevant job skills, either while in school or soon after. Adding Thinkful courses to our suite of Chegg Learning Services will enable us to empower students to obtain in-demand, high-quality job skills, for the fastest-growing job categories, with affordable prices. Thinkful has achieved strong revenue growth of greater than 30% year-over-year because it has focused on going directly to students and helping them gain the most valuable skills for today's workforce."[7]

Another company, 2U Inc, makes their strategic development direction even clearer. With its 2017 acquisition of short courses provider GetSmarter, the 2019 acquisition of bootcamp business Trilogy, and the 2021 acquisition of EdX, the company now offers a full spectrum of courses priced from free to USD 1,000–5,000 that take one to two months to complete, to USD 10,000–20,000 bootcamps lasting around six months, to full degrees taking up to three years that can be priced at USD 200,000 or more.

What is interesting is that the benefits of this strategy are now becoming clear, because the revenue from short courses was growing at more than twice the rate of revenue from traditional degrees in the year after the acquisition through Q1 2021.[8]

Is this the beginning of the end of the traditional education system as we know it? We do not think that the traditional form of front-loading education will disappear altogether, because that experience of formal education is what equips one with the ability to learn and select relevant courses later in life. However, over the long term, we see an interesting opportunity in short courses, vocational training, and other forms of lifelong learning.

[7] Chegg. 2019. Press release announcing acquisition of Thinkful.
[8] 2U. 2021. Third Quarter 2021 Earnings Presentation.

The individual companies mentioned on this page are meant for illustration purposes only and are not intended as a solicitation or an offer to buy or sell any interest or any investment.

Flexible work helps to address the skills gap
Flexible employment options can allow people to start earning while pursuing an education, helping recoup that initial investment, especially as older students who are often juggling family duties and part-time work. It is equally important to bridge the gap between the skills people possess and jobs offered by recruiters. In other words, to address a particular pain point that repeatedly comes up in corporate surveys: a "skills gap." This term describes the skills lacking from a company's existing talent pool needed to reach a certain goal, and in a recent McKinsey survey, 87% of global respondents said that they are experiencing skills gaps now or expect them within a few years.[9]

The skills that are short in supply are technical in nature: data analytics (43% of respondents) and IT/mobile/web design (26%). Enabled by remote delivery of these tasks, organizations are increasingly turning to contract and freelance workers, addressing the skills gaps and contributing to the larger "gig economy."

When mentioning gigs, perhaps many of us instinctively think of Uber, Etsy, and Deliveroo (or simply someone posting a note on a board in the local grocery store, offering services such as help with moving furniture). However, data from BCG shows that a large share of gig economy participants work in skilled technical and personal service jobs,[10] in some countries outnumbering lower-skill workers. For example, in India, high-skill freelancers represent 42% of the total compared to 31% in low-skill work.[11] It is likely that highly skilled freelancers contribute the majority of the estimated USD 297 billion value of the gig economy globally, a number that is growing at double-digit rates annually.[12]

We see a new breed of hybrid roles at the forefront of the gig economy. Such roles combine highly sought-after technical expertise with a combination of in-demand skills like critical thinking, leadership, problem-solving, and collaboration. While they are data-enabled jobs, in a way they are also more human – that is, more dependent on judgment and creativity. They rarely involve rote, repetitive tasks, which is why they are well-liked by everyone, and especially the younger generations.

Examples of hybrid roles

Digital security
With increasing complexity and ever more multidisciplinary, it is no longer enough for digital security analysts to rely on technical knowledge to do their jobs. Data analysis, interpretation, business acumen, and communication skills are required from analysts to effectively assess threats and convince management and staff to adopt best-practice protocols.

Graphic design
To create meaningful designs, graphic designers are increasingly required to have coding skills in addition to artistic talent. Profound technical skills are not only needed to effectively use digital design systems and tools, but also when supporting key functions, such as digital marketing, they require digital campaign and data knowledge.

Technical recruiting
Human resources and recruiting is developing into a more technology-based field. A recruiter with traditionally strong communication and interpersonal skills is now also required to be skilled in the relevant technical field he/she acts in. With increasing automation of recruiting processes and HR tech becoming mainstream, knowledge of data analysis and HR systems is crucial.

Sources Credit Suisse, GetSmarter

[9] McKinsey. 2020. Beyond hiring: How companies are reskilling to address talent gaps.
[10] BCG Henderson Institute. 2019. The New Freelancers: Tapping Talent in the Gig Economy.
[11] Ibid.
[12] MasterCard. 2019. Opportunity Honks: How to Keep the Gig Economy Growing.

coursera

Coursera is the company that pioneered MOOCs – massive open online courses. Founded in 2012 by two Stanford professors, the company's mission is to make the best education in the world freely available to any person who seeks it. A statement that is still true ten years later as a public company with USD 415 million in revenues.

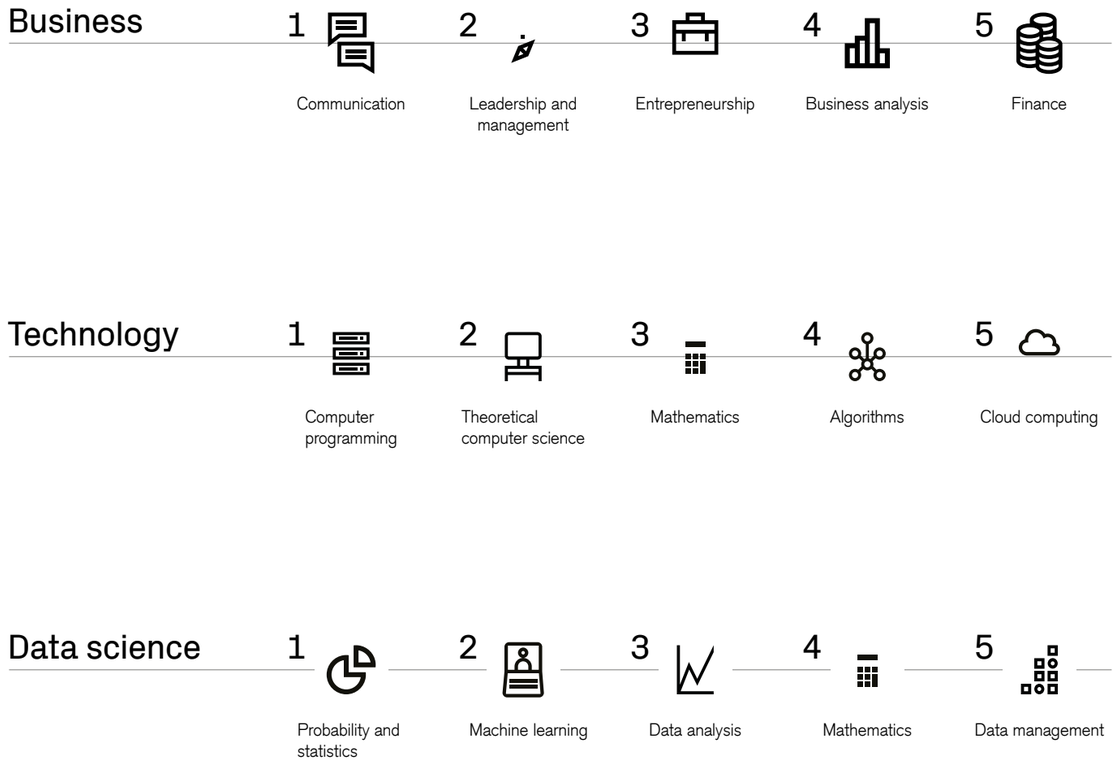
Coursera's platform model is founded on broad access to courses from world's leading universities, which has attracted 97 million learners. This ecosystem has enabled the company to develop commercial businesses selling certified course tracks, corporate access to content, and even hosting full academic degrees on the platform. This industry-leading user and content base has had a flywheel effect – quality content attracts users, who, through usage data and feedback, help to promote the truly best content in the library, further improving the content and attracting more users.

This flywheel is demonstrating tangible results: 92% of people learning for professional development report career benefits like getting a promotion or being able to move to a new career.

For individual learners this happens chiefly in two ways. First, Coursera's library offers vast opportunities for advancing careers with academic courses accredited from world-class universities upon completion. Second, there are currently over 300 skill-based tracks on offer. These programs, designed by companies like Google and IBM, are meant to develop highly applicable, practical skills and directly kick-start new careers at these enterprises, making it an extremely efficient return on investment in education.

Coursera is also providing invaluable opportunities to their 6,500 institutional customers, a number that is growing rapidly. The company's clients are seeing 94% employee engagement with 40% fewer training resources and 46% less time spent. With its massive ecosystem to deliver tried-and-tested high-quality content, Coursera is helping its clients save an average of USD 1.12 million in recruitment costs via employee retention, upskilling, and enabling existing employees to take on new career paths.

Top career skills among learners
Learners invested in high-impact career skills to become job ready and improve their prospects in a challenging labor market.



Source Coursera 2021 Impact Report, data as of December 31, 2022

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Top skills among women

1 Communication

2 Leadership and management

3 Probability and statistics

4 Entrepreneurship

5 Computer programming

6 Business psychology

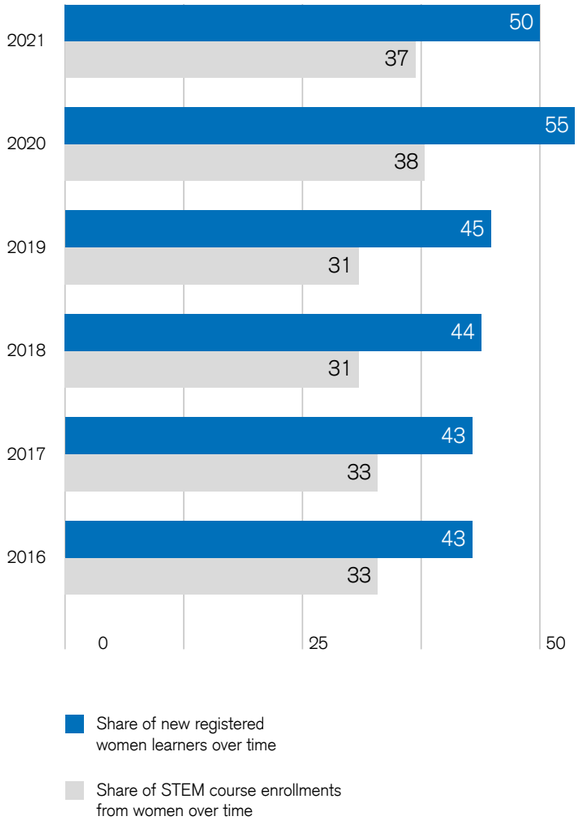
7 Business analysis

8 Data analysis

9 Machine learning

10 Marketing

Reducing the gender gap in STEM and digital skills
Women are pursuing online education, including STEM courses, at higher rates than before the pandemic.



Source Coursera 2021 Impact Report, data as of December 31, 2022

Achieving human progress through learning

92 mn
learners

250+
partners

2,900
companies

230
government agencies

3,600
campuses

USD 460 mn
in scholarships*

* Scholarships are equivalent to costs saved through free access to content on Coursera.

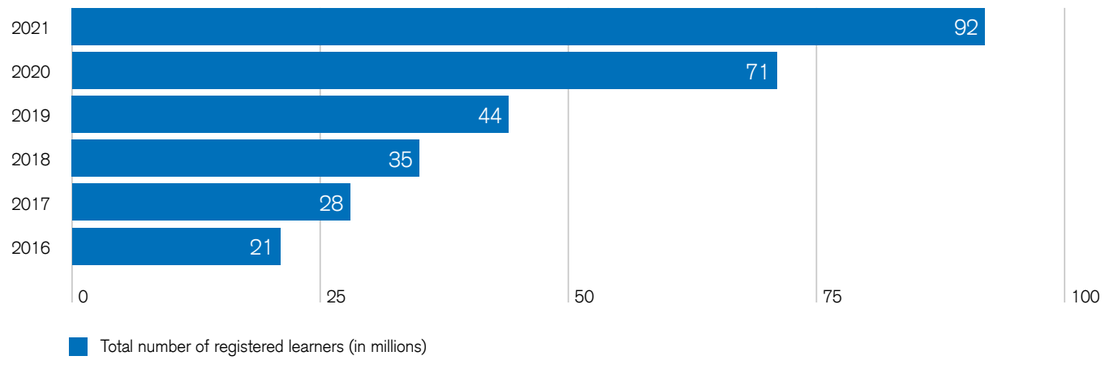
Learner outcomes on Coursera
Helping learners achieve their goals

81%
of learners in emerging markets report career benefits

71%
of learners report career benefits

64%
of learners without bachelor's degree report career benefits

More learners are accessing online learning
The demand for online learning on Coursera continues to outplace pre-pandemic levels.



Source Coursera 2021 Impact Report, data as of December 31, 2022

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COVID-19 was a major catalyst for freelance work

Continuing COVID-19 challenges will likely fuel the shift to a gig/freelance economy further. According to Professor Nicholas Bloom of Stanford, prior to the pandemic, 85% of us had never worked from home, while today an estimated 30% to 40% globally do so on a regular basis (this number, of course, shifts heavily in periods from full lockdown to easing restrictions).[13] Before the pandemic, 5% of paid working days were work-from-home (WFH) days. By May 2020, that number had jumped to over 60%. The share of WFH days increases with education level, hovering around 10.5% for those with less than a high school degree and 53% for those with a graduate degree. Hybrid, and, in some positions, fully remote work arrangements, are not the future, but the present. This push has made it significantly easier from both a technological and cultural perspective to involve freelance talent in daily operations, as we are all communicating and collaborating on the same plane, with digital deliveries of tasks.

The shift has been particularly prevalent in IT services. Hiring in the freelance space suffered a decline mid-2020 following the initial shock, together with the general staffing market, yet it also saw an extremely rapid recovery. All the while, IT demand remained robust throughout.[14]

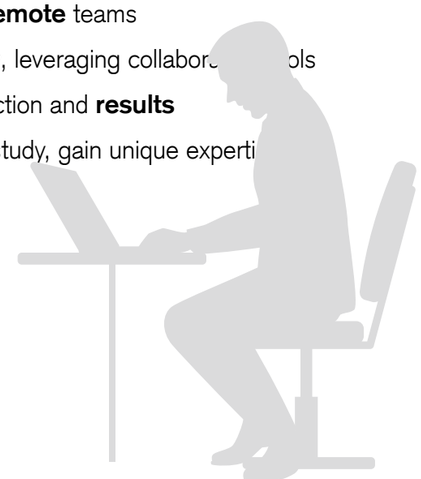
So, who is buying these skilled services, who is selling them, and through what channels? Growing demand for freelance work has been evident for several years. Embraced by an estimated 70% of small and medium-size businesses in the US in 2018, these companies chiefly used freelancers to access specific experience and skills.[15] In the same year, 57% of Swiss organizations surveyed by Deloitte were looking to expand their freelance work outsourcing,[16] and evidence from India suggests that large corporates and professional service companies are starting to utilize more freelancers, something that was more characteristic of startups just a few years ago.[17] Large tech companies like Cisco, Microsoft, and Google are ahead of the trend, with freelancers and contractors comprising 54% of Google's workforce.[18] According to a Harvard Business Review survey, 90% of business leaders believe these platforms will be core to their ability to compete in the future.[19]

[13] Princeton University. 2020. Nick Bloom on working from home ... Will it persist?
[14] Stephany F., et al. 2020. Distancing Bonus or Downscaling Loss? The Changing Livelihood of US Online Workers in Times of COVID-19.
[15] LinkedIn. 2018. LinkedIn reveals: 70% of small businesses in the U.S. have hired a freelancer in the past.
[16] Deloitte. 2018. Deloitte report: Nine out of ten Swiss business and HR leaders see artificial intelligence, people data and connected workplace as top trends.
[17] The Economic Times. 2019. How gig economy is becoming a key part of India Inc's strategy.
[18] Bloomberg. 2018. Inside Google's Shadow Workforce.
[19] Harvard Business Review. 2020. Rethinking the On-Demand Workforce.

On the supply side, in developed markets, being a freelancer is predominantly a lifestyle choice (about 70%), and people enjoy making extra money as well as the autonomy.[20] Freelancing in highly skilled fields certainly seems to be the future choice, as only 1.1% of IT freelancers in Germany would prefer a fixed arrangement, and only a further 22% might be persuaded by a salary increase.[21] In emerging markets, freelancing is an opportunity, with the global freelancer demographic being young[22] and essentially exporting their skills as a service to North America and Europe.[23,24]

Differences in traditional and freelance/hybrid-based workplaces

Traditional workplace	Future of work
Long-term employment	**Experience building** and **freelancing**
Work from the **office**	Work from **anywhere** (nomads, coworking)
Local teams	**Global and remote** teams
Work **offline**	Work **digitally**, leveraging collabor ols
Work full time, receive **monthly salary**	Get paid for action and **results**
Study young, **standard profession**	**Continuous** study, gain unique experti
Stability	**Fulfillment**



Sources Credit Suisse, Fiverr

[20] VOX EU. 2016. Exploding myths about the gig economy.
[21] Freelancer Map. 2020. The IT freelance market in Germany – Market Insights.
[22] CNBC. 2019. The 10 countries with the fastest-growing earnings for freelancers.
[23] The iLabour Project (University of Oxford). 2017. Where are online workers located? The international division of digital gig work.
[24] The iLabour Project (University of Oxford). Which countries and occupations are embracing the online gig economy?

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According to a recent survey on Future of Work from 2U: "Gone are the days where we could pinpoint a dream career, plan out the course to get there, and wind up exactly where we anticipated. Just ten years from now, the working life of most people will likely include a range of jobs, including self-employment, engagement in the collaborative economy, and working with other individual employers. The emergence of hybrid jobs also means that the nature of specific careers could be upended in the not-too-distant future."[25]

Skills gaps and the freelance economy together with affordable and accessible online-based education have opened up this avenue for people to learn relevant, in-demand skills and apply them in a much more streamlined value chain. For instance, 20 of the most in-demand skills on the freelance market are facilitated by online courses from innovative providers like Pluralsight, Udemy, edX, and Coursera.[26] Bringing the gig economy online also enables transparency and gives participants more certainty that their skills will be in demand and rewarded fairly. The premise of transparent, efficient, and open recruiting and staffing practices contributes not only to the sustainable development goal of quality education but also links with combating poverty, striving for gender equality, and fostering decent work and economic growth.

We are now seeing the rise of a new breed of fast-growing companies addressing the skills gap, and thus bridging another gap between education and jobs. Freelancing, dispatching, and limited-term employment are going to be an important part of the solution, as both demand and supply sides seem to find a mutually beneficial arrangement. According to a recent survey by Adecco Group, "the world is ready for 'hybrid working' as companies and employees call for greater long-term flexibility."[27] Accessible learning, reskilling possibilities, hybrid work-places, and markets for skill matching will all be part of an ecosystem that will be the foundation of an efficient labor economy. Online talent marketplaces in particular will facilitate greater transparency as to what skills and education we should invest in. Likewise, they provide a clear bridge from learning to earning, stimulating lifelong learning while advancing UN SDG number 4.

[25] GetSmarter. Future of Work blog.
[26] Upwork. 2021. The 30 Most In-Demand Jobs and Skills [2019–2022].
[27] Adecco Group. 2020. Resetting normal: Defining the new era of work.

fiverr.

upwork

Online talent marketplaces Fiverr and Upwork

Let us turn to the companies leading the charge in the freelance economy. Upwork and Fiverr both operate online talent marketplaces, focusing on digital-only delivery and capitalizing heavily on the largest skills gaps/most in-demand services, chiefly in technology. These are not staffing companies with an online job market, however. Apart from completely remote delivery, the core operating model of these firms is to enable continuous learning and building experience through freelancing rather than taking a previously acquired skill and utilizing it in a role.

As freelancing expands its online presence, both companies are serving a nascent but large and diverse total addressable market. Upwork is targeting 161 million service jobs that can be provided remotely, a total global market of USD 560 billion,[28] while Fiverr is focused on a USD 115 billion segment of the USD 815 billion US self-employed market.[29]

To capture that opportunity, Fiverr is applying an e-commerce approach to freelancing. There is no hiring process or long-term commitment (every-thing is on-demand), and services are purchased from a comprehensive catalog. Compared to staffing companies, Fiverr is transparent with pricing and timing of services, and this has resulted in the company attracting 3.1 million active buyers to their platform.

Upwork's business model is geared toward larger corporate customers, with over 30% of the Fortune 100 part of their clientele. This enables the company to upsell more profitable "managed services," which goes a step beyond providing a platform to hire freelancers and taking a small commission. Upwork itself acts as a manager on behalf of their client, taking responsibility for project deliverables and engaging freelancers as necessary. Upwork is attempting to leverage both the secular trend of freelancing and network effects. The company has acquired 80% of its customers without advertising - through unpaid search, free referrals, and word of mouth, showing the organic interest in the service.

A key ingredient to the process at both Upwork and Fiverr is skill matching, which, compared to a traditional HR process, happens much quicker. Since the platforms are transparent, they allow sellers to address gaps in their skillset, learn through work experience with a more diverse clientele than normally accessible, and build their portfolios. Fiverr and Upwork's models also remained robust despite the adversity of COVID-19 and were fully able to facilitate the sale of digital services. With uncertainty lingering in the air, many companies could still acquire relevant skills without the need to make a long-term commitment. Against this backdrop, Upwork managed 24% revenue growth[30] in 2020, while Fiverr posted revenue growth of an incredible 88%.[31] As corporate and societal structures shift to more hybrid and fully remote working models, both companies were able to grow a customer base that is more prepared and willing to manage flexible work and receive services purely online.

[28] Fiverr. 2020. Company presentation. p. 9.
[29] Upwork. 2020. Company presentation.
[30] Upwork. 2020. Upwork Reports Third Quarter 2020 Financial Results.
[31] Fiverr. 2020. Fiverr Announces Third Quarter 2020 Results.

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Outlook

In 2022, we expect some of the pressure on university enrollments to ease as the strong job cycle may be peaking. Government subsidies should provide a tailwind, and India could emerge as a large market. At the same time, we expect continuation of the global fight for talent that benefits those with advanced skills. Short-term points aside, the future of both work and learning is bright, and it is hybrid. Edutainment should play an even bigger role, while the metaverse may emerge as the new battleground. We are looking optimistically at 2022 and are ready to invest in technological disruptors

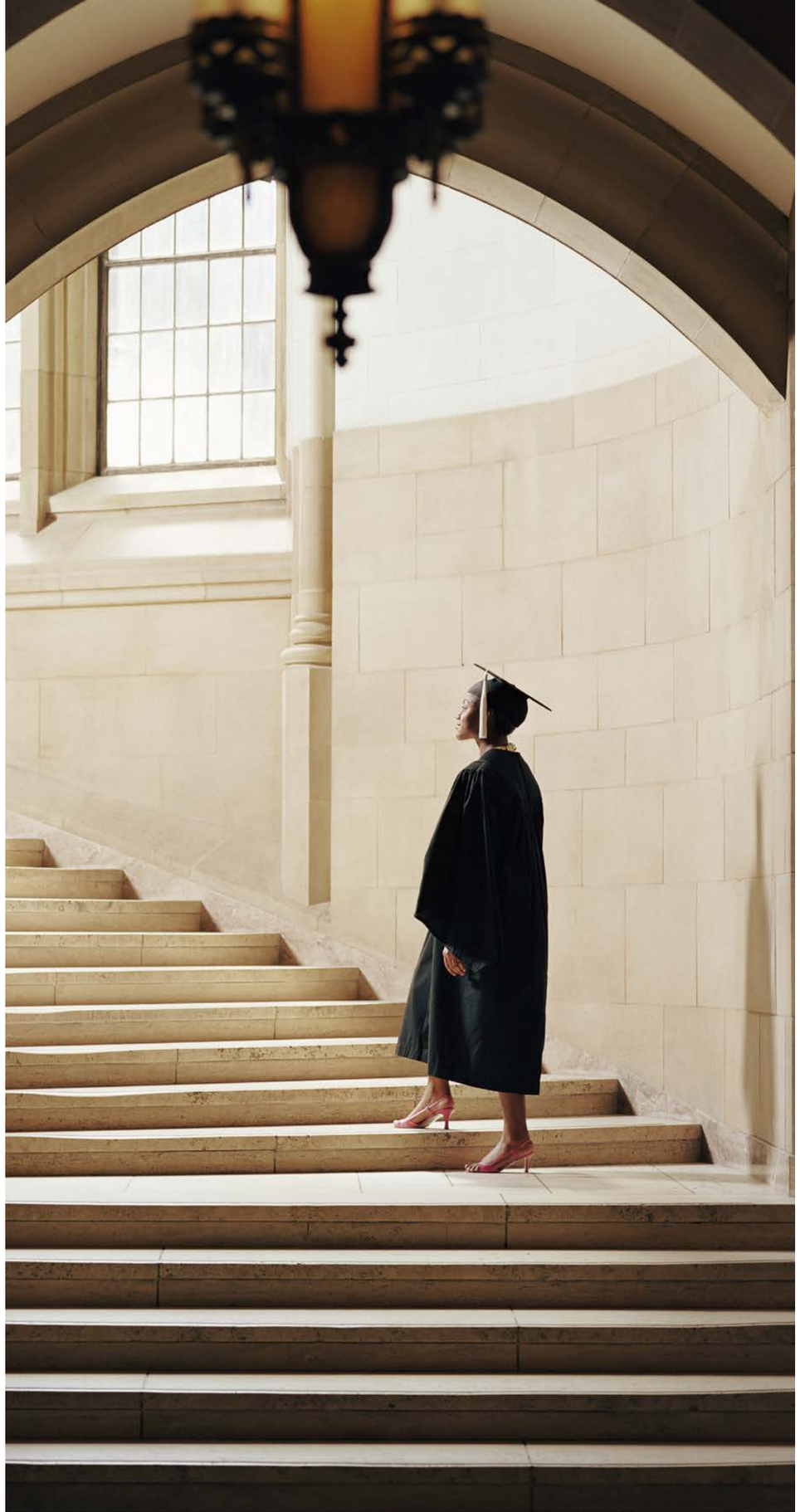
Post-lockdown mental fatigue and online exhaustion should hopefully end

New issues of mental fatigue and online exhaustion started to manifest themselves as the world began opening up after the lockdowns. During their Q2 quarterly update in August 2021, the CEO of Fiverr first described online withdrawal: "Most of the world has been confined to home for the past 18 months. When COVID[-19] restrictions were lifted in the US and Europe, around the second half of May, people were in desperate need to get out of home and have some off-screen time. Coinciding with the summer and school holidays, people are taking vacations, which is a really healthy thing to do. And that translates to less time spent online."[32]

The subsequent quarter proved that this was a real issue affecting learning as well, and students suffering from mental exhaustion are choosing easier courses or none at all, with falling enrolments the result. Chegg delivered the news on November 1, 2021, with a subsequent fall in share price of over 50%. The company's CEO also talked about the strong job market by stating that "Starbucks is tripling their salaries,"[33] hence many potential students of community colleges in particular (typically older, working adults) are choosing to go directly into employment.

We think that this situation is undoubtedly unfavorable and may last until the next academic admissions season in July–August 2022, but it is temporary and unsustainable over the long term. This is the post-COVID-19 adjustment phase, meaning that there will be a return to colleges eventually. We believe that enrolment will improve in summer 2022, that companies are likely to guide for this improvement already in the prior quarter, and that some forward-looking investors may start accumulating positions ahead of that. The question is how long ahead of the fundamentals investors will be willing to trade; in our experience, three to six months ahead is not unreasonable.

[32] Fiverr's Q2 earnings call transcript, accessed through Bloomberg on December 13, 2021.
[33] Chegg's Q3 earnings call transcript, accessed through Bloomberg on December 13, 2021.

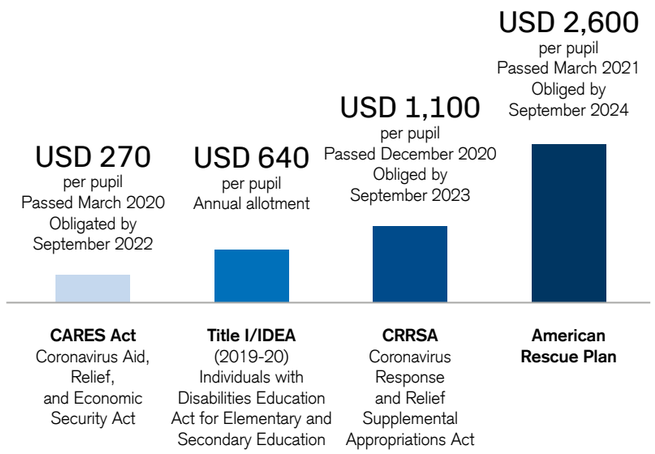


Government subsidies will be the tailwind for EdTech in 2022

It is not all bad news in the EdTech world. While business-to-consumer (B2C) businesses are suffering from post-lockdown fatigue, policymakers are helping. The US Pandemic Relief funding includes USD 271 billion specifically earmarked for education, or USD 2,600 per student to be spent over three years.[34] This amount represents about 20% of annual federal spending on education. According to reports, only about 3% of this amount has been spent so far, and it will act as a strong tailwind in 2022.

Per-pupil funding from COVID-19 relief stimulus

The three COVID-19 relief packages that have passed since March 2020 are delivering far more federal money than typically flows to K-12 schools through key federal budget sources. (all figures in USD)



Sources Credit Suisse, FutureEd, William Blair Equity Research, data as of February 28, 2022

[34] William Blair. 2020. PowerSchool Holding initiation note. 18.

We believe that installing learning management systems designed specifically for education, such as those offered by Instructure or PowerSchool, will be at the top of the wish list for schools that have not done so yet. And many schools have not, because in the midst of the COVID-19 pandemic it was like firefighting – schools using whatever systems they had available, not necessarily designed specifically for education. Installing a new IT system is a distraction, which is why only now, as things are returning to normal, many of those projects that were delayed in 2020–2021 are being implemented.

Potential rise of India

In our view, India may offer an interesting diversification opportunity with a large potential market and limited government interference, at least for the moment. Online education company BYJU'S has become the largest Indian start-up, reaching a valuation of USD 21 billion and ranked 13th globally.[35]

India has emerged among the top three countries in the world after China and the US in venture capital funding for the EdTech sector with more than USD 5 billion in private equity investments over the last five years. There are currently more than 4,500 start-ups operating in the EdTech space in India, an industry that is projected to grow to USD 30 billion in the next ten years from a current market size of around USD 800 million, according to a report by RBSA Advisors.[36]

Edutainment to play an increasingly important role – perhaps in the metaverse

At the same time as students are reeling from mental fatigue, we see no signs of abating demand for edutainment. The week after Chegg reported their shocking news of falling student enrollment, another company in our universe, Roblox, was going from strength to strength, reporting for Q3 2021 a 31% increase in users and 28% increase in hours spent by those users on their platform over the lockdown quarter a year before.[37] No signs of online fatigue were visible there, as youngsters are obviously still happy to spend their time in this more engaging way of "edutaining" themselves.

Roblox hosts many games developed by kids, with about half of daily users under 13 years old. It is widely used in schools to teach coding. Recently, the company announced USD 10 million in grants to support educators bringing Roblox Studios to their classroom.[38]

In perhaps the most exciting news, at a day for analysts in November, the company presented its efforts to create a metaverse, which essentially means a shared digital space and economy. On top of the audience that the platform enjoys, it also has easy-to-use tools for creating virtual spaces and a community of developers already working on digital worlds.

[35] Business Standard News. 2021. BYJU'S 13th most valued unicorn, first Indian start-up to reach $21-bn.
[36] MediaBrief. 2021. RBSA Advisors: India's edtech industry to reach USD 30 billion by 2032.
[37] Roblox. 2021. Roblox Q3 2021 results presentation. 21, 23.
[38] Roblox. 2021. The Next Chapter of Teaching and Learning on Roblox.

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Booming job market fueling enterprise demand for recruitment and talent development

In the same way that the booming job market is negative for countercyclical education, it is very positive for the pro-cyclical corporate-related demand for talent and training.

Corporate training is cyclical because training budgets are linked to corporate profits. With low unemployment, at least in the US, there is an ongoing fight for talent. Related to this, training is becoming a staff retention measure rather than a cost center, and therefore a mission-critical spend. Interestingly, even before the pandemic, not learning enough was the biggest reason for talented young workers to leave their jobs.[39]

Now, as job offers are plentiful, training and motivating talent is becoming particularly important. This is why demand for talent recruitment and training solutions, such as those offered by Workday or Learning Technology Group, for example, is booming. Training delivered in a more innovative, collaborative type of manner, such as on Docebo's platform, can be particularly appealing for the younger generation.

The "Great Resignation" effect to continue

This term was coined in response to a surge in resignations, which was first noticed in the US, where resignations were running 10%–15% higher than the previous record.[40] A recent study from Microsoft[41] found that over 40% of the global workforce was considering leaving their job in the next year, while the United Kingdom saw an all-time high of 1 million job vacancies this past July.[42] The feeling of burnout has become the most common reason cited by Gen Z and Millennials, who are quitting their jobs en masse.[43]

The COVID-19 pandemic has undoubtedly contributed to this phenomenon, as McKinsey reported that 42% percent of women and 35% of men in the US said that they felt burned out often or almost always in 2021.[44] Having gone through the unpleasant experience of the global pandemic and lockdowns, many people are reevaluating their life priorities and resigning in search of more fulfilling roles.

What magnifies this effect is that certain more traditional brick-and-mortar industries, such as hospitality and travel, have been particularly badly hit during the COVID-19 pandemic, highlighting their cyclical nature and uncertainty of earnings. Meanwhile, others, primarily in the online space, have hugely benefited from an inflow of clients and capital, and as a result require significantly more talent.

[39] Business Insider. 2012. This Is the Biggest Reason Talented Young Employees Quit Their Jobs.
[40] Time. 2021. The 'Great Resignation' Is Finally Getting Companies to Take Burnout Seriously. Is It Enough?
[41] Microsoft. 2021. The Next Great Disruption Is Hybrid Work – Are We Ready?
[42] Ypulse. 2021. Why The Great Resignation is Happening in Western Europe Too.
[43] Ibid.
[44] Time. 2021. 42% of Women Say They Have Consistently Felt Burned Out at Work in 2021.

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The future of work is hybrid
Finally, many are looking for flexibility, especially as they are ordered back to the office (with the associated commute), to then spend the day in the office with colleagues, increasing the risk of exposure to pathogens. This may not sound particularly appealing to everyone. Flexibility therefore now has a certain value: a monetary one, such as saving on commuting expenses, and nonmonetary, such as reduced risk of infection and the ability to spend more time with family – particularly for older and more senior persons.

One study found that "workers value working from home as a perk, with the average survey respondent valuing the opportunity to work from home at about 8% of earnings. But the benefits will accrue disproportionally to better-paid, more highly educated workers, because they value working from home more, and their employers are planning for them to work from home more often after the pandemic."[45]

As in any fight for talent, those with advanced degrees and valuable skills can afford to dictate terms to their employers, and they value flexibility. Needless to say, these are also the kinds of employees that one would like to keep, and it once again highlights the value of education. In the future, we expect more remote work as well as more use of freelancers, and therefore broader adoption of talent marketplaces like Fiverr and Upwork.

The future of learning is hybrid
Short courses and bootcamps are overtaking traditional educational courses. Digital content platforms like Coursera, EdX (now owned by 2U), and Udemy are becoming the new "virtual universities," offering vast amounts of quality free and paid courses and monetizing them through degrees and certificates. Service providers like Stride (formerly K-12) and Chegg are aligning their offering closer to employment needs with services for career paths. Edutainment platforms like Roblox and Duolingo are finding their ways into schools and universities by offering a more engaging way to deliver education.

[45] Barrero, J. M., Bloom, N., Davis, S. J. 2021. Why Working From Home Will Stick.

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ROBLOX

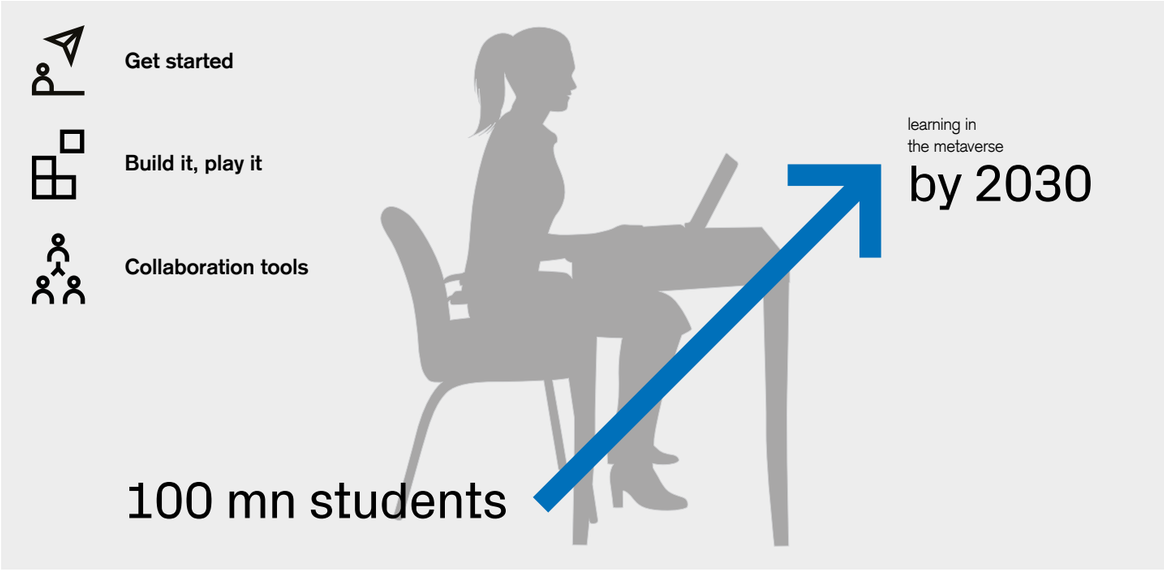
In a blog entry from November 15, 2021, the Head of Education at Roblox, Rebecca Kantar, set out the company's target for the number of lives they want to impact by 2030:

"Our vision at Roblox is to reimagine the way people come together, offering a safe and civil place where everyone can create, explore, collaborate, and share experiences. After over six years with Imbellus developing simulation-based assessments that evaluate the cognitive and practical skills life requires, I am thrilled for the opportunity to leverage my learnings as we begin our next chapter of Roblox Education.

Roblox Education will support and amplify the teaching and learning already happening with Roblox Studio and on Roblox. Every day, students learn to code, problem-solve with friends, and experience faraway places, not just hear about them. We want everyone to have access to those opportunities.

Our goal is to support 100 million students learning on our platform by 2030.

Engaging 100 million students requires equipping educators everywhere with dynamic learning environments that bring to life educational content – science phenomena, historical moments, or math concepts that undergird real-world systems – content begging to be experienced, not just studied. On Roblox, educators, administrators, curricular and instructional providers, families, and students will be able to access an ecosystem of educational experiences that are both fun and engaging."



Source Roblox

> 100 million students engaged in high-quality learning in the metaverse by 2030.

Source Roblox

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Edutainment improves educational outcomes
One great example here is the language-learning app Duolingo, which seeks to address the problem of motivation by implementing a number of mechanisms borrowed from the gaming world. While we nowadays often see "badges" and "progress bars" (think of a website article that shows how much of the article you have read), Duolingo goes much further. Similar to role-playing games, after fighting a difficult enemy the app gives the player a "pity timer" – a break with easier questions after the difficult ones.[46] Duolingo incentivizes you to return to previously learned skills by showing "cracks" in your achievement medals to repair,[47] a mechanism borrowed from strategy and city-building games.

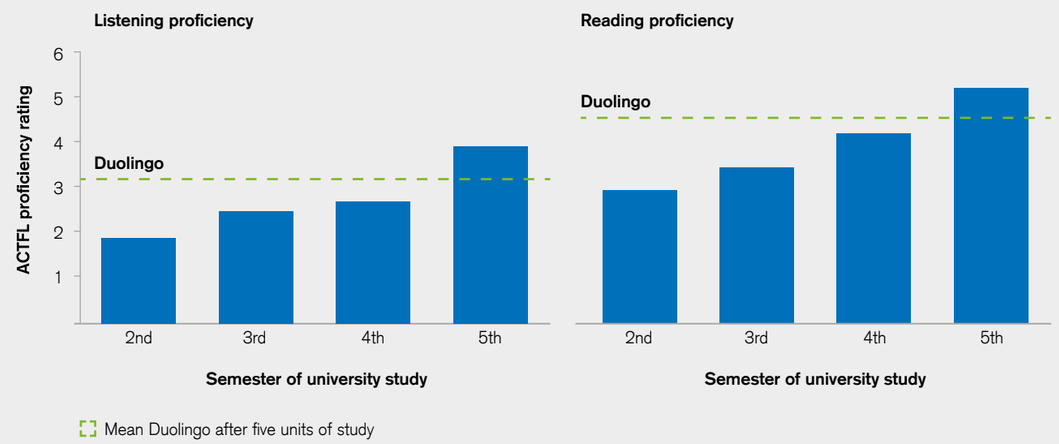
The app also uses elements of randomness to a great extent, something that is difficult to deliver in a traditional learning setup with the notion that course content has to be consistent. Not knowing what is coming next keeps us invested. Behind the scenes, however, the randomness is really an extensively tested and highly refined algorithm, steering us toward improving the weak points in our language ability. The approach has yielded measurable results. In 2020, Duolingo ran a formal study to evaluate its effectiveness versus traditional university language courses and found that learners achieved proficiency scores comparable to those of US university students at the end of their fourth semester of French or Spanish in about half the time.[48]

> "Duolingo is the learning product built for the mobile generation: bite-sized, on-demand and fun. We believe that the hardest part of learning something new is staying motivated, so we build gamification features into our platform to motivate our learners.[48]

Source Duolingo

[46] Wired. 2017. How Duolingo uses dirty gaming tricks to get you addicted to French.
[47] Duolingo blog. 2021. Taking a crack at gamification.
[48] Duolingo. 2021. S-1 prospectus.

Comparison of foreign language proficiency (Spanish and French, ACTFL[49] scale) among students taking university language courses and using the Duolingo learning app



Source Duolingo

[49] The American Council on the Teaching of Foreign Languages (ACTFL) proficiency rating is the most widely used standardized scale of foreign language proficiency in North America.

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Thematic alignment with UN Sustainable Development Goals

Since their launch in 2015, the United Nations Sustainable Development Goals have gained significant importance as a sustainability guide for companies across several industries. Given the holistic nature of the 17 SDGs, companies increasingly report on their contribution to achieving some of the goals, which provides insightful information that is of particular interest to thematic investors.

The graphic on the next page shows the fund's exposure to companies whose products and services help achieve these SDGs. Their alignment with the SDGs is measured based on the impact that their products and services have on achieving specific targets associated with each of the UN's 17 SDGs using our own methodology, which is detailed in the following section.

To the extent that this page contains statements about the future, such statements are forward looking and are subject to a number of risks and uncertainties and are not a guarantee of future results.

The investment strategy of the Credit Suisse (Lux) Edutainment Equity Fund aligns with selected SDGs

Sources MSCI ESG, sdgs.un.org/goals, Credit Suisse

Our methodology

We use our own methodology because no reliable detailed third-party data is available. To quantify this contribution, we take the proportion of total revenue generated from a single product line (or a group of homogenous products) that is sold to a distinguishable group of end customers. That proportion of revenue is classified in a taxonomy table and assigned to 1 of 67 possible targets under seven SDGs for which we seek to achieve improvements through our investment process, as has been defined in the prospectus when establishing the Credit Suisse (Lux) Edutainment Equity Fund.

The methodology does not capture positive spillover effects a product can have on multiple targets and goals. This adversely affects the allocation toward targets under goals with the broadest scope and goals that are heavily interlinked with others, such as “no poverty” or “gender equality.” However, this also ensures that only the most direct, visible, or significant contribution is represented. Given the thematic mandate of the portfolio, most companies will contribute primarily to SGDs number 4 (quality education) and number 8 (decent work and economic growth) under this methodology.

Impact

“

2U was founded to help eliminate the back row in higher education, and creating greater access to relevant, high-quality education has always been core to our mission. As our largest impact-focused investor, Credit Suisse has been a leader and excellent partner in fostering our socially responsible mission. Together we believe that meeting society’s growing demand for more accessible and affordable education is not only the right thing to do, it is also the best path to generating long-term value creation for shareholders.

Chip Paucek
CEO and founder of 2U Inc.

2U Credit Suisse video

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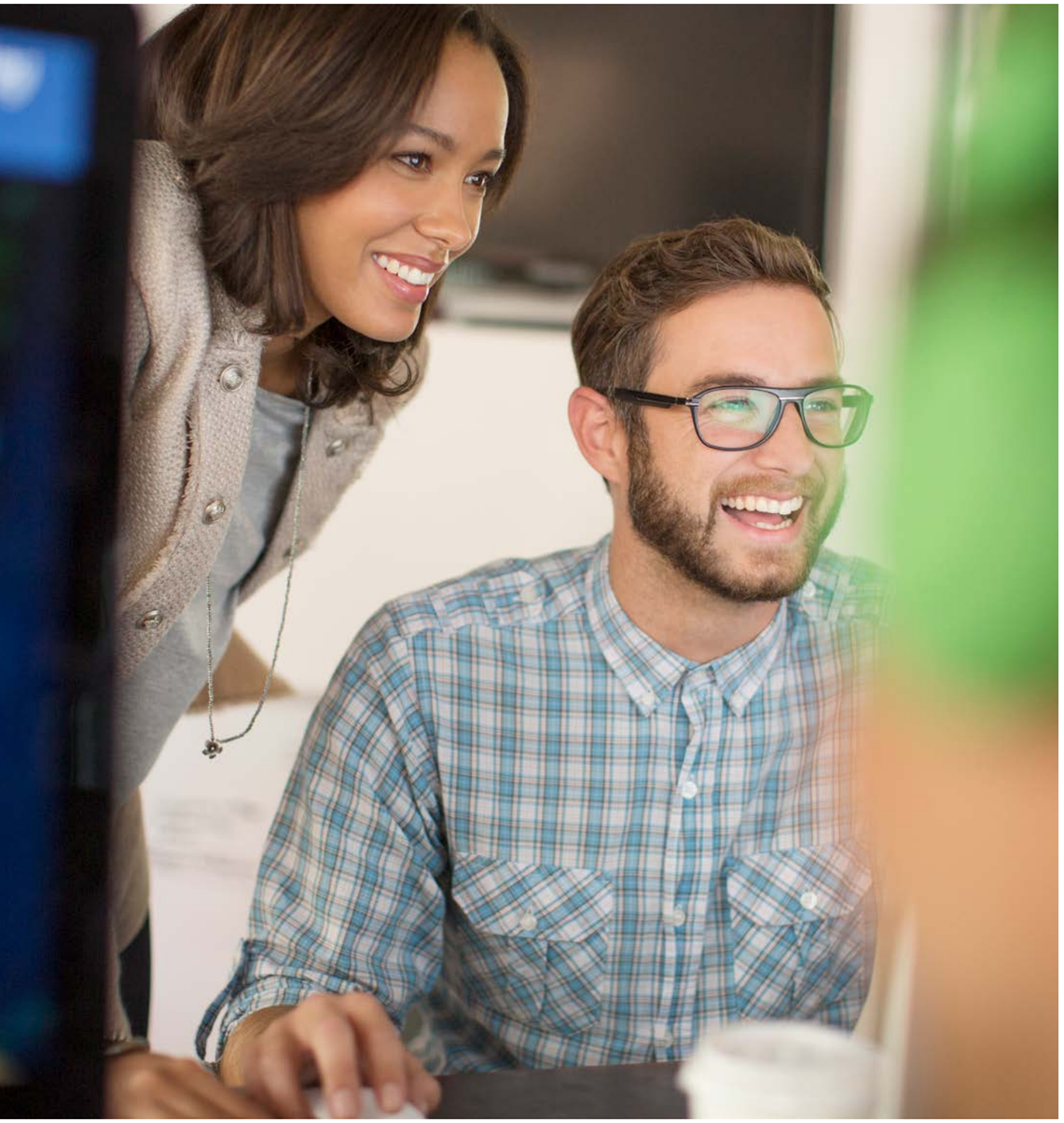
Key outcomes



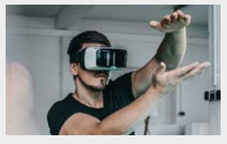
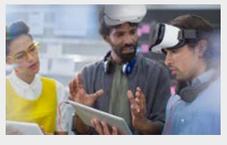
How our portfolio companies are generating impact

Our portfolio can be split into two roughly equal parts: one part serving children and students, and the other part serving adult learners and professionals. The main outcomes of the activities of our portfolio companies are:

- **For children and students:**
  Our portfolio companies are expanding access, lowering costs, and improving the efficacy of education by delivering affordable and high-quality technical, vocational, and tertiary education; they increase the number of young people and adults with relevant skills for employment and entrepreneurship, and ensure educational inclusion and safety.
- **For adult learners and professionals:**
  Our portfolio companies help to develop, upskill, and future-proof professionals and employees; they enable seasoned professionals to make career pivots or broaden employment opportunities; they enable enterprises and professional groups to better serve the professional development needs of their workforce and communities; they combine leisure and a zest for knowledge to deliver lifelong learning.

Our portfolio companies represent three main subsegments: innovative services, digital content, and systems and tools. The table on the next page shows key impacts made by those companies per subsegment. The companies' names have been removed for commercial reasons.

A new education paradigm

Traditional education Classroom-based, teacher-centered		New approach EdTech	
	→		**Innovative services** Disruption in the service model: education delivery anytime and anywhere, thus improving access to education and training
	→		**Digital content** Disruption in terms of content: from standard to customized, from analog/print to digital and beyond (e.g. virtual reality/ augmented reality)
	→		**Systems and tools** Disruption in terms of tools: reduction in costs through digitalization, reduction in labor intensity, and better scalability

To the extent that these materials contain statements about the future, such statements are forward looking and are subject to a number of risks and uncertainties and are not a guarantee of future performance.

Quantitative impact summary

Innovative services

90%

This US online program manager's short courses and boot camps have a 90% completion rate and are accessible.

12,691

Since the Brazilian medical education group's founding in 1999, it has graduated 12,691 physicians, many of whom practice medicine in underprivileged regions of the country.

172,000

As a leader in the IT and professional services industries, this company provided 172,000 cumulative hours of upskilling to their 7,000 employees last year, or over 24 hours of training per year.

5 semesters

Over 41 million monthly active users are reaching language proficiency levels equivalent of five study semesters at university level just by using a learning application developed by this company.

Digital content

187 million

This online learning platform saw 187 million course enrollments last year.

617,000

The number of daily CV searches on the largest job platform in India, with a total of 73 million CVs posted.

92%

Aided by 59 million pieces of learning library content and 24/7 access to tutors, 92% of students say that this online textbook and tutoring platform helps them get better grades.

48.2 million

The largest online recruiting platform in Russia has 608,000 annual job postings to 48.2 million CVs on their platform.

Systems and tools

5×

Five times higher scores achieved in national exams in Brazil compared to other learning system competitors.

2.4 million

This education conglomerate's English-language program supports 2.4 million students in Japan and thousands more via its global programs.

400,000

Number of students learning software development on this leading 3D real-time engine.

9.5 million

This learner-centric learning management platform had 1,930 clients and more than 9.5 million registered users last year.

Innovative services

4.7 million

This US tutoring platform facilitated over 4.7 million hours of live instruction across 3,000 subjects.

BRL 10.4 billion

The annual economic impact on society that the company's 2.65 million students' services to the Brazilian community generated.

6,000

Number of teachers that contributed to over 100,000 lessons on this K-12 learning platform.

121

Teachers at the Japanese social services provided social skills training and academic support to special needs children at 121 locations in the country.

Digital content

95.4%

Positive feedback rate achieved by this Japanese corporate training company that served over 20,000 sessions last year for 350,000 attendees online and offline.

250 million

Monthly unique visitors to this company's leading job website.

564,000

Number of science and medical journal articles published out of 2.5 million article submissions.

> 45 million

This online job matching company has relationships with more than 200,000 employers and over 45 million candidates in Asia and the Americas.

Systems and tools

87%

This learning gamification company has penetrated 87% of the global top 500 universities.

25 million

This company's talent management system impacts the career progression of 25 million active users across more than 1,500 clients.

24,000

Hours of content that reached 10 million students and 400,000 teachers across this Indian company's solutions.

119 million

Number of people using this company's translating devices, dictionary apps and smart pens.

Source Credit Suisse, data as of December 31, 2021
For further details please contact your Relationship Manager.
For illustrative purposes only. To the extent that this page contains statements about the future, such statements are forward looking and are subject to a number of risks and uncertainties and are not a guarantee of future performance.

Quantitative impact summary

Innovative services

50

This healthcare recruiting company in Japan covers 50 subspecialties and charges success fees that are at least 50% more competitive than peers.

120,000

Or 1/3 of all doctors in Japan participate in this collective intelligence platform, discussing treatments and practices.

2,300

This online language platform's 6,000 teachers work with 2,300 Japanese corporations to teach English to employees.

Digital content

70%

This company has a 70% share of the elderly care recruiting market in Japan and 20% to 30% of the nurse and paramedic recruiting market, working with roughly 8,400 national hospitals.

75%

Of the over 1 million subscribers to this audiobook company, 75% say they consume more books since joining the platform.

3.2 million

This EdTech company with a civil service focus has trained 3.2 million students in China with its more than 35,000 teachers.

Systems and tools

USD 2 billion

The amount earned by freelancers on this platform since launch 10 years ago; USD 1 billion of that amount came just last year.

81%

Smart classroom penetration in China is projected to reach 81% next year, from 51% in 2019. This company holds a roughly 35% share in that market.

98%

The leading provider of enterprise cloud applications for HR has had 95% gross retention rates and 98% client satisfaction since its IPO.

Innovative services

91.4%

This Japanese outsourcing firm matches its 21,300 engineers on payroll with client businesses who hire them at a utilization rate of 91.4%.

23,700

This Japan-based staffing company for the manufacturing sector has over 23,700 graduates and seasoned technicians on staff.

Digital content

180,000

This company offers 180,000 courses and programs across 600 leading universities to international students who wish to study abroad in English-speaking countries.

200

This platform makes the content of 200 top universities available to 77 million learners worldwide.

Systems and tools

Level 6

This company's machine translation system matches college-level English language comprehension.

80%

Percent of users that came to this freelancing platform through unpaid search, word-of-mouth, and referrals.

8 million

Number of developers that have used this platform to grow their programming skills and create user experiences.

Source Credit Suisse, data as of December 31, 2021
For further details please contact your Relationship Manager.
For illustrative purposes only. To the extent that this page contains statements about the future, such statements are forward looking and are subject to a number of risks and uncertainties and are not a guarantee of future performance.

ESG – supporting clients make a positive impact

Empowering our clients to achieve their ESG priorities

- **PeopleFluent:** Reducing the need of travel for learning by providing learning systems to 10.6 million people in 44 countries, including a number of global charities such as Humentum, which provides more than 150 learning programs to non-governmental organizations globally.

- **Preloaded:** Using play and new technologies to make complex subject matter engaging and understandable to global audiences – be it climate change, sustainability, mental health, well-being, enterprise skills, or educational learning.

- **Affinity:** Helping over 1,100 companies achieve workforce equity through solutions that optimize affirmative action and diversity and inclusion programs.

- **Watershed, Rustici Software:** Using data to make learning more efficient and saving waste – impacting >167 million people globally.

- **OpenLMS:** Reaching 8 million higher and further education students globally so they can receive high-quality, interactive learning remotely.

- **LEO GRC:** Providing environmental, social, and governance learning content for 3 million people globally, making people safer (courses include Health and Safety, Cyber and Data Security, Tackling Modern Day Slavery, and Anti-Harassment), and supporting compliance needs through topics including personal ethics, whistleblowing, anti-bribery, consumer protection, and diversity and inclusion.

Source Learning Technologies Group, data as of February 28, 2022

Learning Technologies Group (LTG) is a family of businesses unifying corporate learning platforms and content development under one roof. The UK-based group offers something for each step of the learning value chain: technology and programming interfaces for content management and distribution, software for content creation and talent management, content creation services, data and analytics tools, and consultancy services supported by LTG's technology. This long-term holding in the portfolio has succeeded in:

reducing travel by providing learning systems to

10.6 million
people

in 44
countries

facilitating workforce diversity and inclusion p

1,100
enterprises

providing ESG learning content for

3 million
users globally

reaching

8 million
higher and further education students

via learning management systems

providing learning programs to over

150 NGOs

The individual companies mentioned on this page are meant for illustration purposes only and are not intended as a solicitation or an offer to buy or sell any interest or any investment.

Active ownership

The Credit Suisse Sustainable Investment Framework assumes an active approach to ownership that facilitates impactful change and promotes sustainability in our investee companies. Through proxy voting and engagement, we put our values into action, providing leadership on environmental, social, and governance issues.

Active ownership allows us to transform our role from that of a capital allocator into an agent of change. We use two of the most important tools in our repertoire – engagement and proxy voting. On behalf of our clients, we hold significant investments in various companies through our funds and other solutions, which gives us influence over decision-making.

Our focus is on establishing a continuous dialogue with the management of investee companies in order to work together toward more sustainable practices and ESG excellence. This stems from our belief that it is our duty and responsibility to address ESG issues as part of an open dialogue with companies. The prime objective of active ownership is to maintain and increase the value of investee companies so that their sustainability efforts make a positive impact on risk-adjusted investment returns over the long term.

Proxy voting

Proxy voting is the fiduciary exercise of our voting rights at general shareholder meetings. In the context of our ESG approach, it means that we use the voting rights afforded to shareholders whose funds we manage to influence investee companies' policies and practices in areas critical to ESG issues. Credit Suisse Asset Management is fully compliant with the European Shareholder Rights Directive II (SRD II), which encourages long-term shareholder engagement. We use proxy voting to improve corporate governance, strengthen shareholders' positions, and ensure decisions are made to boost the long-term stability of companies.

Proxy voting enables us to exert influence over the election of BoD members, as well as over compensation schemes and articles of association. We use our proxy voting power to help elect directors who are committed to a long-term vision of strengthening their companies' sustainability practices and are sufficiently independent to see those efforts through. By voting to reduce overboarding – where board members are burdened with an excessive workload – we seek to ensure that BoD members are able to focus their efforts on the task of providing the most responsible management to their companies. We also encourage transparent compensation packages that are both attractive and rewarding to directors who demonstrate sustainability leadership through their actions.

We used our influence to make a strong push for governance best practices in our investee companies and ensure that shareholders' voices are heard.

Our engagement activity

Engagement is the process of conducting a continuous and active dialogue with investee companies' management in order to encourage and assist them in furthering their ESG and sustainability efforts. We believe that Credit Suisse Asset Management's engagement practices have a positive impact on investment returns over the medium and long term, as well as on society in a broader sense. Through direct, one-on-one conversations with our counterparties' key stakeholders and meetings where we explain the how and why of our proxy votes, we help direct our partners toward a more sustainable development trajectory.

We started by sending our proprietary sustainable investment and impact questionnaire to all of our portfolio companies. The questionnaire included questions that took into consideration the specifics of those companies' businesses. Throughout the year, we have also had specific discussions on ESG issues with twelve of our portfolio companies from Brazil to Japan. Because we tend to be among the largest institutional shareholders in a given company, we generally engaged senior management during these discussions, securing a positive outcome in most cases.

To the extent that this page contains statements about the future, such statements are forward looking and are subject to a number of risks and uncertainties and are not a guarantee of future results.

Our socially responsible investing (SRI) and impact questionnaire

Credit Suisse (Lux) Edutainment Equity Fund sustainable investment and impact questionnaire

Product/service

- How does your product or service improve access to education (UN SDG 4), specifically:
  - Does it offer significant cost savings vs. traditional methods? If so, how?
  - Does it widen access to education for those in remote areas? If so, how?
  - Do you target specific areas where there is a shortage of skills? If so, how?
  - Could you please provide a demographic of the users of your service (age, gender, etc.)?

Quality of the product/service

- How do you ensure quality of your product/service?
- How does the quality of your product/service compare with traditional methods?
- Have you had any complaints, formal (e.g. legal cases) or informal, about your product/service?
- How do you ensure the quality and sustainability of your product/service?

Outcomes/impact of the activity

- How do you measure outcomes as a result of using your product/service?
- What outcomes do you measure?
- What outcomes would you find useful to measure but are unable to (for whatever reason)?
- What outcomes do you report on?
- Can you tell us any quantification methodology and quantitative metrics regarding the achieved outcomes (e.g. number of students taught, grades or career placements achieved, number of students from disadvantaged backgrounds helped, etc.)?
- Do you have any reports available on the above-mentioned metrics? If so, could you please provide us with some examples?

Privacy and data security

- How do you ensure the privacy and security of user data?
- How do you ensure protection again increasingly sophisticated cyber threats?
- Have you had any data breaches, loss of data, or successful cyberattacks? If so, please describe how these were dealt with and what measures have been put into place to minimize the risk of similar events in the future.

Human capital development

- What training is provided to your employees for this increasingly demanding and high-tech job? Please describe the regularity and nature of the training.
- How do you recruit and retain the best talent in the industry?
- What is your approach to inclusivity and diversity? What policies do you have in place, for example, against any kind of discrimination, ensuring the rights to collective bargaining and freedom of association (UN Global Compact Principle 3)?

Environment

- What initiatives do you undertake to promote greater environmental responsibility and encourage the development of environmentally friendly technologies (UN Global Compact Principles 8 and 9)?
- Can you quantify your scope 1 and 2 carbon emissions and your carbon intensities (carbon emissions per million USD of sales)? Are there any initiatives to reduce carbon emissions going forward, for example at the server farm you are operating? If you do not think this is relevant for your business, please explain why.
- Is there a climate change policy in place?

Governance

- What policies do you have in place against bribery, corruption, and money laundering (UN Global Compact Principle 10)?
- What was the total compensation including options vesting/granting of your CEO last year?
- Have you ever been accused of misleading investor communication, fraud, tax evasion, tax optimization, anti-competitive practices, aggressive accounting, violation of international standards or national legislation, or any other significant issues?
- Have you been involved in any controversies? If so, please elaborate.
- What safeguarding policies and procedures are in place to ensure the safety of your online users?
- Have you had any safeguarding issues, and if so, how have they been resolved?

For illustrative purposes only.

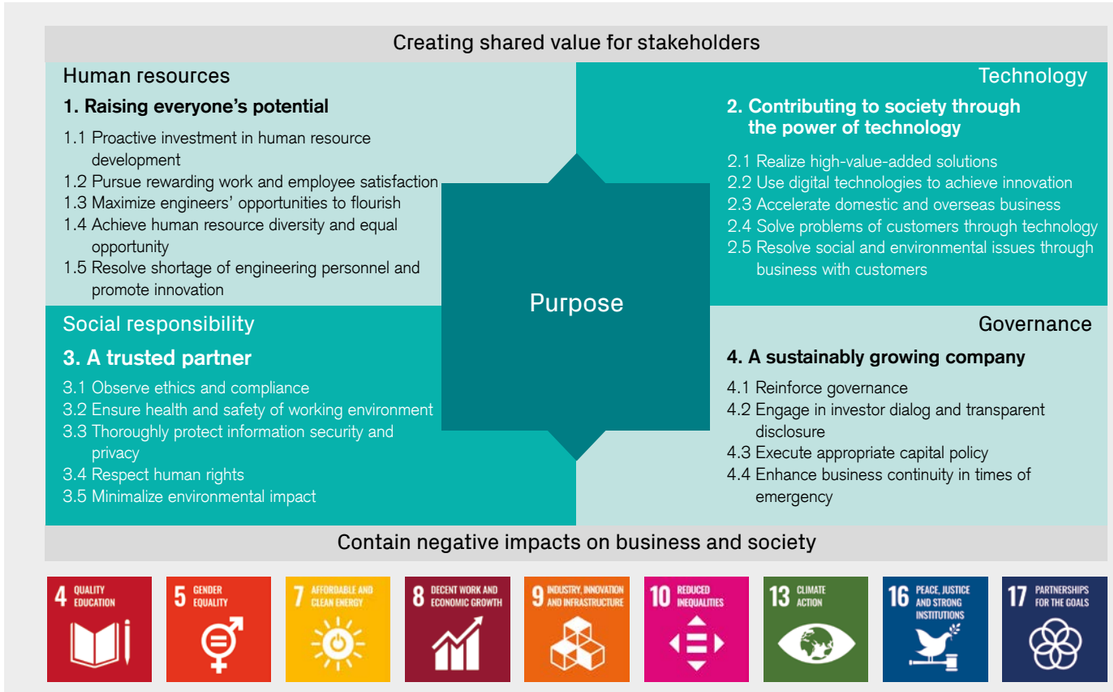
Summary of our activities

The table below summarizes our activities over the past year. Company names have been removed for commercial reasons.

Date	Engagement	Country
March 2021	We engaged with this Chinese company at a meeting on ESG and company sustainability (key improvement points: company governance, board size, diversity in board, and overlapping board and executive roles).	**China**
	We engaged with this Japanese technology company on issues of data and human capital policies. Lack of regularity in employee training and formalizing the cyberthreat response were addressed.	**Japan**
	We engaged with this Indian company on teaching quality metrics, accessibility of their upskilling and training programs, as well as the social impact of this Indian professional training company.	**India**
	We engaged with this Japanese company to address the lack of formalized policies toward human capital and corporate governance questions such as remuneration.	**Japan**
	We engaged with this Finnish company on its disclosure of ESG practices, especially given the multinational footprint of the education business.	**Finland**
	We engaged with this Chinese company concerning the efficiency of its tutoring service in lowering costs and reaching more rural areas in China. Aggressive advertising has been a particular issue that was raised with company management.	**China**
	We engaged with this US university to discuss its educational program quality and affordability, as well as teaching talent retention practices, which are key in the education industry.	**US**
	We engaged with this Chinese company and discussed the reasons behind a CCC rating by MSCI and how the company has addressed the criticisms.	**China**
	We engaged with this Brazilian company on measuring the quality of educational services and their affordability.	**Brazil**
	We engaged with this Japanese company regarding the lack of defined policies on certain ESG topics, such as inclusion and human capital development, though this company does appear to be intrinsically aligned with ESG values.	**Japan**
April 2021	We engaged with this Brazilian education company to discuss educational program quality measurement metrics and human capital development practices.	**Brazil**
	We engaged with this Russian company on data and privacy concerns, as it facilitates connections between job seekers and employers.	**Russia**
June 2021	We engaged with this US company on issues of sustainability of the business model and monetization, given that the major audience for this company is young children; impact on education and furthering educational experiences via the platform.	**US**
	We engaged with this Brazilian company on their claims regarding cost-benefit versus the traditional education material model and its measurement.	**Brazil**
	We engaged with this US company and discussed the impact the learning platform has to upskill people with limited resources and provide better job opportunities. Specifically, we discussed positive price discrimination for certain types of organizations and countries to enable fairer access to learning.	**US**
July 2021	We engaged with this Japanese company to discuss the sustained quality of workforce and environment, given that this company provides early edu-care services. We have further engaged on compensation policy questions.	**Japan**
September 2021	We engaged with this Hong Kong company to discuss ESG-related policies and reporting, as well as the social impact of the company's gaming division.	**Hong Kong**
	We engaged with this Japanese engineer staffing company for a company presentation of ESG efforts with a focus on sustainability of workforce development.	**Japan**
October 2021	We spoke to this US company pre-listing on how to address key ESG focus areas for an online company in data protection and human capital development in a very competitive space.	**US**
November 2021	We engaged with this Australian company on governance issues, specifically discussing their Board of Directors composition, compensation, and remuneration.	**Australia**

TechnoPro (Japan) reporting on impact and ESG issues

We are a long-term shareholder of TechnoPro, a Japanese engineering and IT staffing company that provides a highly skilled and specialized workforce for the automotive, electronics, and IT industries. We have been discussing sustainability, social mission, and ESG issues with the company's senior management for a long time and highlighting other peers in the market with strong social missions. A particular focus has been on training and upskilling of TechnoPro's more than 16,000 engineers and new graduates, which are both the company's strongest asset and greatest social responsibility. TechnoPro has been taking continuous steps in employee training for both their own and their customers' workforce, measuring and improving job satisfaction levels as well as placing emphasis on hiring diversity and equal opportunity. The company now discloses many useful quantitative key performance indicators (KPIs) and materiality metrics related to ESG and SDG alignment on their CSR website: Material Issues and Quantitative Indicators (KPI) | CSR | TechnoPro Holdings.



Source TechnoPro, data as of February 28, 2022

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The tables below show disclosure of selected metrics covering TechnoPro's ESG performance.

Training and education classes

(Years ending June 30)	2017	2018	2019	2020	2021
Group training (number of courses held, cumulative)	55,521	71,023	97,306	120,829	47,441
E-learning (courses taken, cumulative)	–	8,082	111,216	114,841	166,354
Number of people attending training (cumulative)	55,521	79,105	208,522	235,670	213,795
Time spent in training (hrs/yr)	220,618	293,546	512,231	492,566	447,809
Number of unique participants	–	–	17,153	22,039	22,974

Target value: total of 300,000 people per year in 2026 (including e-learning)

Employee satisfaction score, base of 100 in 2013

(Years ending June 30)	2017	2018	2019	2020	2021
(FY2013: 100)	108	107	113	114	118

Target value: ongoing improvement in employee satisfaction

Percentage of women hired

(Years ending June 30)	2017	2018	2019	2020	2021
New graduates (%)	15.6	15.3	22.5	19.3	24.3
Mid-career hires (%)	18.1	21.1	27.7	27.1	22.2
Total (%)	17.6	19.7	26.1	24.9	22.6

Target value: 30% or above by 2026

Percentage of outside directors

(Years ending June 30)	2017	2018	2019	2020	2021
%	37.5	37.5	37.5	37.5	37.5

TechnoPro Holdings: out of nine directors, four are outside directors (44.4%) as of September 30, 2021.

Material legal violations

(Years ending June 30)	2017	2018	2019	2020	2021
(Number)	0	0	0	0	0

Target value: continue to have zero material cases

Average hours of overtime

(Years ending June 30)	2017	2018	2019	2020	2021
(hrs/month)	19.2	17.6	16.3	13.5	13.3

Target value: remain at 20 hours per month or below

Training on human rights/ethics/information security/anti-corruption

(Years ending June 30)	2019	2020	2021
Attendance rate (%)	100.0	100.0	100.0

Target value: continue at 100%

CO_2 emissions (Japan)

(Years ending June 30)	2020	2021
(t-CO_2)	2,118.2	1,803.9

Target value: reduce continuously

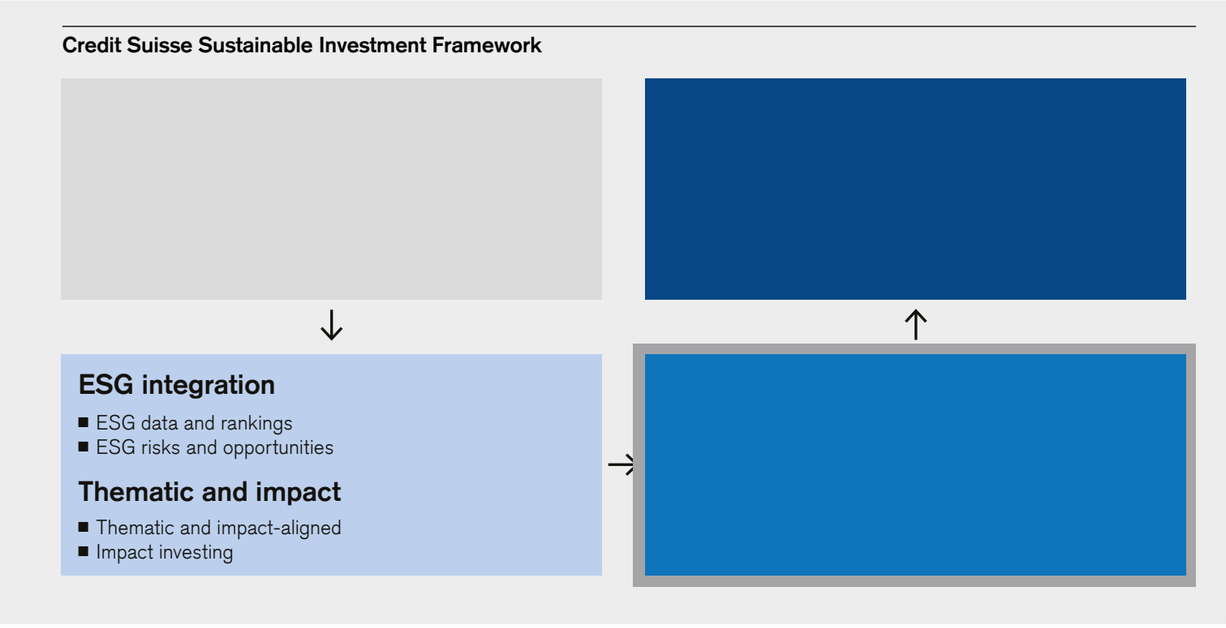
Paper use/unit of sales

(Years ending June 30)	2017	2018	2019	2020	2021
(FY2015: 100)	89.1	82.2	75.9	50.4	38.0

Target value: improve continuously

For illustrative purposes only.

Credit Suisse Asset Management Sustainable Investing Policy



Learn more at www.credit-suisse.com/esg.

Introduction
Credit Suisse Asset Management strives to become a sustainability leader in the financial industry. In September 2019, we announced our plan to increasingly incorporate environmental, social, and governance considerations – the ESG factors – into the investment process of several of our strategies. Following this announcement, we have been making every effort to accelerate our sustainable investing agenda and implement it across many of our core asset classes. Working in close cooperation with Institutional Shareholder Services Inc. (ISS), our partner for proxy voting, we have increased our proxy voting coverage by defining specific regional proxy voting policies, and we will continue to do so. Finally, in order to reinforce our commitment to sustainability, we have strengthened our dedicated in-house ESG team.

We take a systematic approach to sustainable investing. This means that ESG factors are taken into account at various stages throughout the investment process. Our sustainable investment strategies employ ESG criteria when defining the investment universe (ESG exclusions), integrate ESG factors directly into the investment process, extend traditional research views to encompass sustainability considerations, and reflect on ESG factors when selecting and defining exposure to securities (ESG integration). We then monitor the resulting portfolio in terms of its sustainability characteristics. We support sustainability initiatives through proxy voting, active participation in annual general meetings (AGMs), and engaging with investee companies. In addition, we also provide detailed ESG reporting to enhance portfolio transparency for our clients. Lastly, Credit Suisse Asset Management and Credit Suisse participate in several sustainability networks and initiatives.

Going forward, we have pledged to further develop and promote sustainable investment products and services that seek to generate financial returns while incorporating ESG considerations. We are convinced that our focus on sustainability not only accords with but also explicitly assists us in our fiduciary duty to preserve and increase the value of our client portfolios. However, responsibility toward our clients is not the only factor that drives us to pursue sustainability – we, too, are increasingly faced with the consequences that financial investments have on our environment and our society.

Credit Suisse Asset Management's Sustainable Investing Policy
At Credit Suisse Asset Management, we systematically engage in sustainable investing. Sustainable investing refers to the process of considering environmental, social, and governance information (ESG factors) when making investment decisions. To ensure that our sustainable investment products meet the standards set by our clients and the standards we set ourselves, we have established dedicated sustainable investment principles that are governed by the Sustainable Investing Policy. Credit Suisse Asset Management's Sustainable Investing Policy applies to all portfolios whose investment process includes ESG considerations and/or that have a defined sustainable investment objective. A dedicated ESG team governs and maintains the Sustainable Investing Policy.

Credit Suisse Asset Management's Sustainable Investing Policy is aligned with the Credit Suisse Sustainable Investment Framework.

Ambitions of our sustainable strategies
Portfolios pursuing a sustainable investing strategy integrate ESG factors into the investment decision-making process, thereby aiming to create more sustainable portfolios and achieve an improved expected risk/return profile; some of them target specific sustainable investment objectives. The importance of and focus on individual ESG factors may vary depending on the overall investment strategy and investment universe.

In accordance with the MSCI ESG Key Issue Hierarchy,[50] Credit Suisse Asset Management considers, quantifies, and publishes monthly scores of the following ESG factors for its sustainable equity and fixed income portfolios:

Environmental (E)

- Climate change (including various carbon emission data points)
- Environmental opportunities (including various data points on renewable energy and technology)
- Natural capital (including clean water and biodiversity data points)
- Pollution and waste (including waste management and toxic emission data points)

Social (S)

- Human capital (including health and safety data points)
- Product liability (including product safety and responsible investment data points)
- Stakeholder opposition score, social opportunities (including access to healthcare and communications data points)

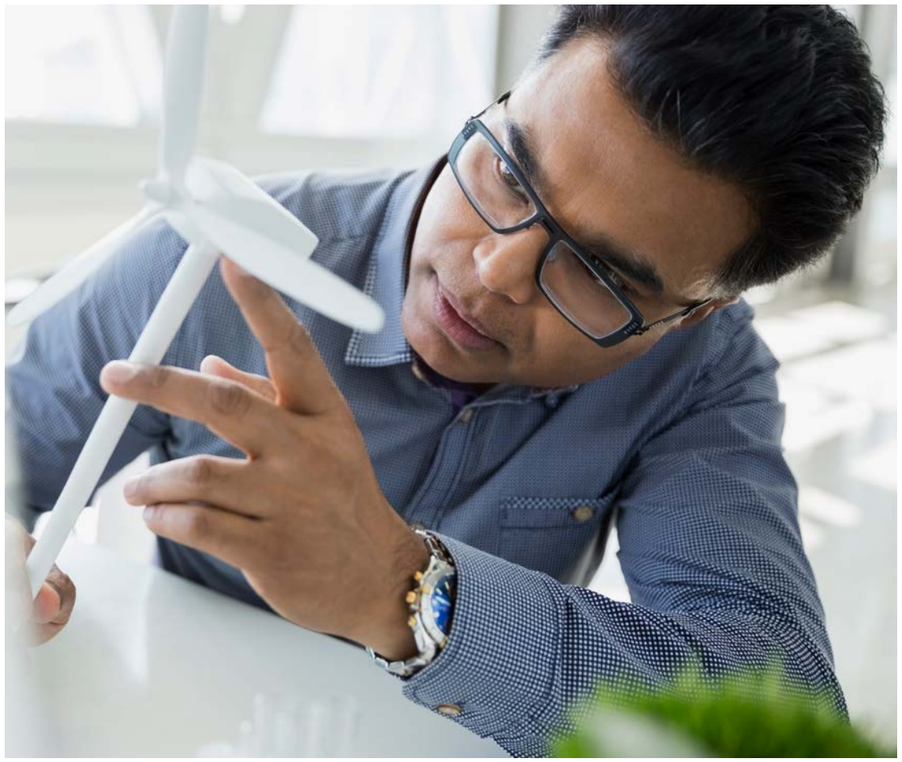
Governance (G)

- Corporate governance (including ownership, control, and remuneration data points)
- Corporate behavior (including business ethics and tax transparency data points)

The published scores of the ESG factors on the portfolio level are calculated by a weighted aggregation of the available scores of the underlying securities. Aggregated scores for environmental, social, and governance aspects as well as an overall ESG portfolio score are published for our equity and fixed income portfolios.

[50] For further information on the MSCI ESG Key Issue Hierarchy and the methodology for the calculation of the individual factors, please refer to: msci.com/our-solutions/esg-investing/esg-ratings and MSCI ESG Ratings Methodology.

Key principles of our Sustainable Investing Policy
At Credit Suisse Asset Management, we place great importance on the systematic consideration of sustainability factors as part of our sustainable investment strategies. We are convinced that a clear governance of our approach to sustainability enables our sustainable strategies to achieve their investment ambitions. Our Sustainable Investing Policy is based on five key principles: fulfilling our fiduciary duty to our clients, ESG exclusions, ESG integration and/or sustainable thematic investments, active ownership, and transparency toward clients.



Principle 1: Safeguarding the fiduciary duty to clients

We are convinced that our focus on sustainability helps Credit Suisse Asset Management fulfill its fiduciary duty to act in the best interest of its clients. In our view, considering ESG factors offers our investment teams the means to make better-informed decisions. In addition to our fiduciary responsibility toward our clients, we are committed to mitigating the negative consequences and fostering the positive effects that our financial investments have on our environment and our society, where possible.

Principle 2: Application of ESG exclusions

Credit Suisse Asset Management has defined the following three categories of exclusions:

- **Norms-based exclusions**
  We exclude companies that fail to comply with international treaties on controversial weapons such as the Convention on Cluster Munitions, the Chemical Weapons Convention, the Biological Weapons Convention, and the Treaty on the Non-Proliferation of Nuclear Weapons.
- **Values-based exclusions**
  We exclude companies that derive more than 5% of their revenue from conventional weapons and firearms, tobacco production, gambling, or adult entertainment. We also exclude companies that derive more than 20% of their revenue from tobacco distribution and conventional weapons support systems and services. In addition, a revenue limit of 20% applies to investments in coal (coal mining and coal-based electricity generation). This threshold can be further lowered over time to reflect the transition toward a low-carbon society.
- **Business-conduct exclusions**
  Companies found to systematically violate international norms, where the breaches are particularly severe, or where management is not open to implementing necessary reforms, are placed on a watch list and may be excluded from the firm-wide investment universe. This process is governed by a dedicated committee that keeps the final list of excluded companies and is responsible for ensuring that the list is communicated to investment teams in a timely manner.

Business-conduct-based exclusions are considered a last resort. We prefer to engage with investee companies with the aim of increasing our impact on preventing future breaches. Companies that are able and willing to take action may be subject to a period of prolonged engagement in which Credit Suisse and company management agree on targets and timelines for improvement.

Values-, norms-, and business-conduct-based exclusions are defined in the Credit Suisse Sustainable Investment Framework. These exclusions may evolve over time.

The exclusions described above are applied in the following manner:

Credit Suisse Asset Management excludes firms that violate norms related to controversial weapons, such as personal mines, cluster munitions, and nuclear weapons, as defined according to the recommendation of SVVK-ASIR, from all of its actively and passively managed portfolios of listed equity and fixed income securities. Further exclusions from passively managed portfolios are based on the rules governing the construction of specific ESG indices that the portfolios aim to replicate.

Credit Suisse Asset Management applies norms-, values-, and business-conduct-based exclusions to actively managed sustainable portfolios of listed equity and fixed income securities. In the case of norms-based exclusions, Credit Suisse Asset Management applies additional exclusions, setting thresholds on revenues from, for example, the production of delivery platforms and components for controversial and/or nuclear weapons.

Specific exclusions applied to our Thematic Equity funds

All of our Thematic Equity funds are subject to a defined investment universe that reflects the funds' specific themes. In addition, the Thematic Equity funds are subject to more stringent exclusions.

The Credit Suisse Asset Management Thematic Equity team applies the following categories of exclusions:

- Norms-based, values-based, and business-conduct-related exclusions
- More stringent exclusions and thresholds across sectors including coal mining, conventional and unconventional oil and gas extraction, generation of electricity, and violations of the United Nations Global Compact (UNGC) principles

As a result, the following companies, countries, and sectors are excluded from the investment universe of our Thematic Equity funds:

- **Breaches of the UNGC principles:** Companies whose activities clearly infringe upon the UNGC are excluded. The ten UNGC principles define fundamental responsibilities in the areas of human rights, labor, environment, and anti-corruption. These principles are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, the United Nations Convention Against Corruption, and the Organization for Economic Co-operation and Development's Anti-Bribery Convention.

- **Country exclusions:** We do not finance countries (via government debt or indirectly via state-owned companies) that are subject to international sanctions or that violate basic principles like those stated in the UNGC.
- **Illegal and controversial weapons:** Manufacturers of controversial weapons such as land mines and cluster bombs, as well as manufacturers of nuclear, biological, and chemical weapons, are excluded.
- **Conventional weapons and firearms:** Companies that derive more than 5% of their revenue from manufacturing conventional weapons or firearms are excluded, as are companies that derive more than 10% of their revenue from the production of weapons or tailor-made components.
- **Tobacco products:** Companies that derive more than 5% of their revenue from manufacturing tobacco products and companies that derive more than 5% of their revenue from distributing those products are excluded.
- **Coal extraction:** Companies that derive more than 5% of their revenue from coal extraction are excluded.
- **Unconventional oil and gas extraction:** Companies that derive more than 5% of their revenue from unconventional oil and gas extraction (e.g. oil extraction from tar sands and/or oil and gas extraction through hydraulic fracking of shale and/or from arctic drilling) are excluded. Companies planning to expand their activities to cover unconventional oil and gas extraction are also excluded.
- **Conventional oil and gas extraction:** Oil and gas extraction companies that derive less than 40% of their revenue from activities related to natural gas extraction or renewable energy sources are excluded.
- **Electricity generation:** Electricity utilities with carbon intensity that is not aligned with a below-two-degrees scenario (in 2021 max. gCO_2/kWh of 393, in 2022 max. gCO_2/kWh of 374) are excluded.

If no carbon-intensity data are available, the following rules apply:
  - Electricity utilities for which more than 10% of power production is based on coal are excluded.
  - Electricity utilities for which more than 30% of power production is based on oil and gas are excluded.
  - Electricity utilities for which more than 30% of power production is based on nuclear sources are excluded.
  - Electricity utility companies with expansion plans that would increase their negative environmental impact or that run contrary to a below-two-degrees scenario are excluded.
  - Electricity generation companies that are constructing additional coal- or nuclear-based power production installations are excluded.

- **Phase-out of unaligned oil and gas extraction and electricity generation:** We finance companies involved in conventional oil and gas extraction and electricity generation that are best in their peer group selectively and to a limited extent. Our portfolios can consist of no more than 5% of such companies, i.e. companies that do not comply with the above requirements for conventional oil and gas extraction or electricity generation.
- **Gambling:** Companies that derive more than 5% of their revenue from gambling are excluded.
- **Adult entertainment:** Companies that derive more than 5% of their revenue from adult entertainment are excluded.

Principle 3: Application of ESG integration and/or investing with a sustainability objective

Application of ESG integration means that Credit Suisse Asset Management incorporates ESG factors at various steps of the investment process by combining financial information with information about environmental, social, and governance aspects. The ESG integration approaches vary by asset class and investment style and depend on the availability of ESG data and tools.

Investing with a sustainability objective means that Credit Suisse Asset Management implements investment strategies that allocate capital to companies offering solutions to societal challenges and pursue a sustainable investment objective. A sustainable investment objective is achieved through a dedicated investment process focused on investments in themes and sectors whose economic activities address specific ESG challenges, e.g. through sustainable thematic investing. Typically, this means investing in companies, securities of companies (such as green bonds), or strategies that address one or more of the United Nations' Sustainable Development Goals, or investing with a dedicated environmental or social investment objective. For passively managed strategies, this means replicating an index with a sustainability objective.

ESG integration in equity portfolios

We incorporate ESG factors into the investment process of our equity portfolios to create more sustainable portfolios while aiming to increase the expected risk-adjusted returns.

Non-thematic equity portfolios

We integrate ESG factors into the investment process of our sustainable equity funds in five main steps:

- **Identification of material ESG factors**
  First, the investment manager uses materiality frameworks to identify those ESG factors that are relevant to the investment strategy. Materiality frameworks are concepts that help to identify sustainability-related issues and opportunities that are likely to affect the financial condition or operating performance of companies within an industry. Material factors are furthermore assessed based on the fund's sector and geographical exposure.

  Second, the investment manager prioritizes the material factors that are most relevant to the subsequent investment decisions based on the portfolio's current market exposure. The investment manager reassesses the prioritization regularly to account for changes in the materiality framework, portfolio exposure, or market conditions. Consequently, material ESG factors may change over time.
- **ESG security analysis**
  Based on the identified material ESG factors, the investment manager performs security, sector, and regional research across the portfolio's investment universe. The investment manager makes use of ESG ratings from state-of-the-art service providers and combines them with Credit Suisse Asset Management's proprietary analyses and information. These may include ESG-related news, ESG ratings and scores, ESG-related controversies, and ESG trends.

  The ESG data are fully integrated in our portfolio management software, Aladdin by BlackRock. More than 100 ESG data points are accessible to the users. Additionally, investment managers have full access to all ESG-related analyses provided by third party ESG data providers such as MSCI (e.g. ESG-related company reports). The Credit Suisse Asset Management ESG team may offer additional support, where needed, and advise on access to other ESG data providers such as RepRisk.

  The outcome of the ESG analysis of individual securities, combined with financial research, permits the investment manager to make ESG-adjusted risk/return assessments. This enables the investment manager to compare securities on an ESG-adjusted basis and to evaluate whether to keep certain securities in the portfolio or to sell them during the security selection and portfolio implementation stage. The ESG security analysis is updated periodically.
- **Security selection and portfolio implementation**
  Based on the identified material ESG factors and the ESG-adjusted security analysis, the investment manager constructs a portfolio in accordance with the portfolio's investment process and principles. The ESG-adjusted security analysis combined with portfolio construction considerations is used to determine appropriate portfolio weights that reflect the ESG-adjusted risk/return profile of the analyzed securities.
- **Portfolio monitoring**
  The investment manager monitors the ESG factors periodically through the portfolio management system to detect significant changes in the ESG factors of the underlying securities. He or she regularly reassesses the portfolio, taking into consideration financial and ESG metrics, and consequently decides whether to increase or decrease positions in the portfolio.
- **Targeted engagement**
  Apart from regular engagement with investee companies and proxy voting carried out by the ESG team through its active ownership activities, the investment manager may engage with companies individually in the event of serious ESG-related concerns.

Thematic equity portfolios

With their pure-play investment approach, our Thematic Equity funds focus on specific, narrowly defined themes when defining their investment universe. The Thematic Equity funds that include environmental or social aspects in their investment process integrate ESG factors in the same way as described in previous section. There are, however, additional elements that are considered during the investment process of these funds.

- **Identification of material ESG factors**
  The investment manager prioritizes the ESG factors that are most relevant to the subsequent investment decisions based on the portfolio's current market exposure and its thematic investment objective.
- **ESG security analysis, security selection, and portfolio implementation**
  The research process may make use of dedicated ESG questionnaires with potential follow-up engagements with investee companies. This additional research is usually carried out when no public ESG data are available. Insights gained in this way are then used in the process of selecting securities that fit the theme of the investment product. The main tool for security selection and portfolio implementation is the fundamental scorecard that determines the weight of each holding. ESG is one of the five pillars that are assessed using the fundamental scorecard.
- **Portfolio monitoring**
  In addition to the standard ESG exclusions that apply to all our sustainable investment products, there are additional criteria that are used for our Thematic Equity funds. Issuers that have been excluded on the basis of those additional criteria are coded into our automated trade compliance systems. As a result, the investment manager will receive a warning when attempting to trade an excluded stock.

- **Targeted engagement**
  Exercising active ownership through engaging in a direct dialogue with investee companies' management teams is performed with the ultimate goal of improving the ESG ratings of an investment and helping the companies enhance their understanding of ESG issues and the impact of their products or services on people and the planet.

Certain Thematic Equity strategies invest with a sustainability objective, as detailed in the respective product documentation.

Further information about the investment process of our Thematic Equity portfolios can be found on the Thematic Equity Investing webpage: www.credit-suisse.com/thematicequities.

Principle 4: Application of active ownership

Credit Suisse Asset Management ensures that investee companies follow good governance practices by engaging with them and by exercising voting rights.

Being a shareholder and partial owner of a company comes with certain rights and duties. Above all, however, it presents an opportunity to effect positive change. To Credit Suisse, active ownership means exercising these rights and fulfilling our fiduciary duties on behalf of our clients who own shares in companies around the world through our funds. The two main elements of active ownership – engagement and proxy voting – constitute some of the most powerful tools in the pursuit of our environmental, social, and governance goals.

Through our funds and client portfolios, we hold shares in many companies in Switzerland, Europe, and across the globe. As shareholders, we have the opportunity to engage with companies on behalf of our clients, communicate our goals and expectations, and exert concrete influence with our voting power at annual shareholder meetings.

More information about active ownership goals, engagement, and proxy voting can be found on our Active Ownership webpage and provided on request by relationship managers.

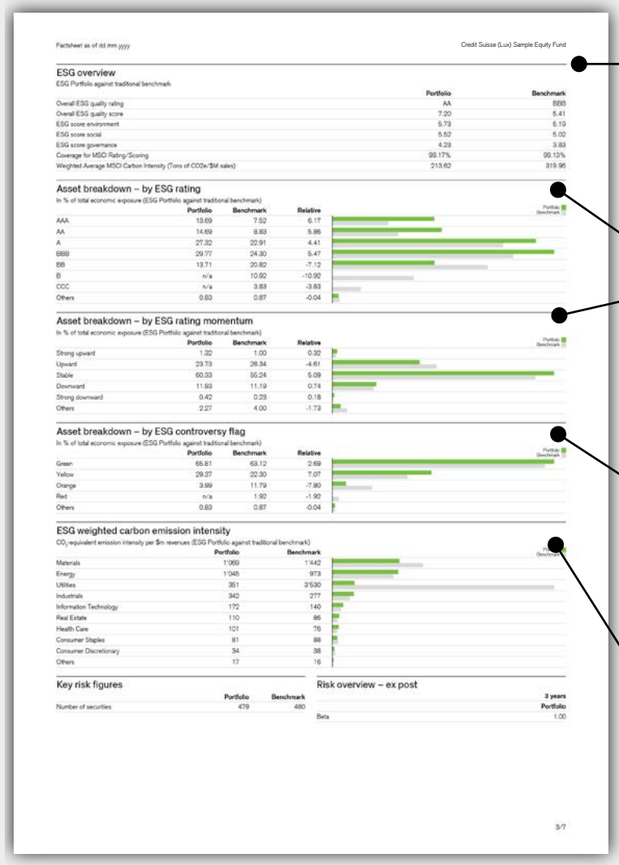
Further information can also be found in the Active Ownership Report, the engagement policy and the proxy voting dashboard that are available online. Details can be provided on request by relationship managers.

Principle 5: Reporting and transparency

Sustainability information at the product level can be found in our monthly fund fact sheets, which include a section dedicated to ESG factors. Fund fact sheets are available online and can be provided on request by relationship managers.

In addition to the monthly fund fact sheets about individual funds, selected Thematic Equity funds publish their own impact and engagement reports. Examples of these reports can be provided on request by relationship managers.

Example of the ESG section of a fund fact sheet


Factsheet as of dd.mm.yyyy

Credit Suisse (Lux) Sample Equity Fund

ESG overview

ESG Portfolio against traditional benchmark

	Portfolio	Benchmark
Overall ESG quality rating	AA	BBB
Overall ESG quality score	7.20	5.41
ESG score environment	5.73	5.19
ESG score social	5.53	5.02
ESG score governance	4.23	3.89
Coverage for MSCI Rating/Scoring	99.17%	99.13%
Weighted Average MSCI Carbon Intensity (Tons of CO2e/$M sales)	213.62	319.96

Asset breakdown – by ESG rating

In % of total economic exposure (ESG Portfolio against traditional benchmark)

	Portfolio	Benchmark	Relative
AAA	13.69	7.52	6.17
AA	14.69	8.83	5.86
A	27.32	22.91	4.41
BBB	29.77	24.30	5.47
BB	13.71	20.82	-7.12
B	n/a	10.92	-10.92
CCC	n/a	3.83	-3.83
Others	0.83	0.87	-0.04

Asset breakdown – by ESG rating momentum

In % of total economic exposure (ESG Portfolio against traditional benchmark)

	Portfolio	Benchmark	Relative
Strong upward	1.32	1.00	0.32
Upward	23.73	28.34	-4.61
Stable	60.33	55.24	5.09
Downward	11.93	11.19	0.74
Strong downward	0.42	0.23	0.18
Others	2.27	4.00	-1.73

Asset breakdown – by ESG controversy flag

In % of total economic exposure (ESG Portfolio against traditional benchmark)

	Portfolio	Benchmark	Relative
Green	65.81	63.12	2.69
Yellow	29.27	22.30	7.07
Orange	3.99	11.79	-7.80
Red	n/a	1.92	-1.92
Others	0.83	0.87	-0.04

ESG weighted carbon emission intensity

CO_2-equivalent emission intensity per $m revenues (ESG Portfolio against traditional benchmark)

	Portfolio	Benchmark
Materials	1'069	1'442
Energy	1'045	973
Utilities	351	2'530
Industrials	342	277
Information Technology	172	140
Real Estate	110	86
Health Care	101	76
Consumer Staples	81	88
Consumer Discretionary	34	38
Others	17	16

Key risk figures

	Portfolio	Benchmark
Number of securities	479	480

Risk overview – ex post

	3 years Portfolio
Beta	1.00

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ESG overview
- ESG rating of the fund versus its benchmark
- Individual scores for environmental, social, and governance (ESG) aspects
- Carbon intensity

ESG rating breakdown
- Breakdown of the portfolio and benchmark according to MSCI ESG rating
- Breakdown of MSCI ESG rating changes ("momentum") over the past 12 months

Controversies
- Portfolio and benchmark exposure to companies involved in controversies
- Controversial business activities according to MSCI ESG

Carbon emission intensity
- Carbon emission intensity of the portfolio and its benchmark on a sectoral basis
- Carbon emission intensity is provided by MSCI ESG and is defined as tonnes of CO_2 per USD 1 million of sales

Special topics

Treatment of derivatives and short positions
Derivatives may be used as technical portfolio management tools, for hedging purposes, or as an additional source of return. The use of derivatives must not be at odds with the responsible nature of the ESG strategy of a given product. The types of derivatives permitted are generally governed by the fund prospectus. The underlying assets are evaluated similarly to a direct investment in such assets according to the following rules for single-stock futures and single-name credit default swaps (CDS):

1. Short positions in single stocks, single-stock options, and buying protection in single-name CDS are not allowed in companies that are excluded for norms-based business activity violations according to the Credit Suisse Sustainable Investment Framework.
2. Short positions in single stocks, single-stock options, and buying protection in single-name CDS are allowed in companies excluded for values-based business activity violation according to the Credit Suisse Sustainable Investment Framework.
3. Regarding (2) above, curve trades on companies excluded for values-based business activity violations according to the Credit Suisse Sustainable Investment Framework are allowed only if the notional value of the credit short position equals the notional value of the credit long position.

Limit on products for which no ESG data are available
A maximum of 20% of a sustainable investment portfolio may be invested in securities of entities or asset classes for which no ESG-related information is available. This applies in particular to asset classes for which ESG factors are insufficiently defined at present or which are not yet covered by external data providers (e.g. hedge funds). We expect this limit to be lowered over time as the availability of ESG investment concepts and ESG research coverage, external or internal, improves. Non-covered parts of a sustainable investment portfolio are shown in the ESG section of the monthly fund fact sheets.

Specific rules for Thematic Equity funds
For those parts of our Thematic Equity portfolios for which no ESG-related information is available, we may use additional analyses, such as information obtained from additional data providers, our proprietary questionnaires, and pre- and post-trade compliance checks.

ESG data and research
We use a range of external ESG research providers and rating agencies in combination with our in-house sustainability and financial analyses. Specifically, we derive our external ESG research from MSCI, RepRisk, and ISS. Our core ESG data are fully integrated in our portfolio management software, Aladdin by BlackRock.

Portfolio monitoring
Credit Suisse Asset Management conducts pre-trade and post-trade compliance checks daily. In the event that certain violations of our exclusion criteria are revealed, we conduct an appropriate escalation process. All violations are archived. Credit Suisse Asset Management senior management is informed about any violations on a monthly basis. The data sources for our daily monitoring activities are our portfolio management platform, Aladdin by BlackRock (position data), and MSCI ESG (business exposure data), as well as individual third-party sources such as Evalueserve.

Reporting and transparency

The Credit Suisse (Lux) Edutainment Equity Fund has employed ESG screening of all portfolio companies since its inception in September 2019, which is reflected in our monthly fund fact sheets. An example of that report can be seen below. We realize that the overall portfolio score on traditional ESG metrics is below that of the reference index (MSCI World ESG Leaders). This is due to the disproportionately higher exposure to small- and mid-cap stocks and to emerging markets, both of which score poorly when compared to large-cap companies from developed markets. In fact, we consider this to be an opportunity to help our portfolio companies tackle ESG issues, which is often the focus of our ESG-related dialogues with them. Fund factsheets are available online.

Factsheet as of 31.01.2022 — CS (Lux) Edutainment Equity Fund B USD

Portfolio Summary

The fund has sustainable investments as a primary investment objective (within the meaning of Article 9 of Regulation (EU) 2019/2088). The objective is attained through a dedicated investment process focusing on investments in themes and sectors whose economic activities address specific ESG challenges according to the CSAM Sustainable Investing Policy (www.credit-suisse.com/esg).

Applied ESG characteristics

☑ ESG Benchmark ☑ ESG Integration ☑ Engagement ☑ Exclusion Criteria ☑ Proxy Voting

ESG overview

According to MSCI ESG methodology

	Portfolio	Benchmark
Overall ESG quality rating	A	AAA
Overall ESG quality score	6.81	8.81
Coverage for MSCI Rating/Scoring	71.86%	99.90%

Asset breakdown - by ESG rating

In % of total economic exposure

	Portfolio	Benchmark	Relative
AAA	2.95	23.23	-20.28
AA	18.92	33.02	-14.10
A	23.72	27.71	-3.99
BBB	3.91	15.45	-11.53
BB	19.28	0.49	18.79
B	3.07	n/a	3.07
Others	28.14	0.10	28.04

Asset breakdown - by ESG rating momentum

In % of total economic exposure

	Portfolio	Benchmark	Relative
Strong upward	n/a	0.42	-0.42
Upward	21.01	20.43	0.58
Stable	27.20	75.84	-48.64
Downward	5.52	3.08	2.44
Others	46.27	0.23	46.04

Asset breakdown - by ESG controversy flag

In % of total economic exposure

	Portfolio	Benchmark	Relative
Green	66.16	45.58	20.58
Yellow	5.69	31.82	-26.13
Orange	n/a	22.50	-22.50
Others	28.14	0.10	28.04

ESG Weighted carbon emission intensity

CO2-equivalent emission intensity per $m revenues

	Portfolio	Benchmark
Consumer Discretionary	68	34
Information Technology	22	21
Industrials	9	130
Communication	8	12
Health Care	7	22
Energy	n/a	461
Consumer Staples	n/a	52
Financials	n/a	4
Materials	n/a	495
Real Estate	n/a	87
Utilities	n/a	488

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For illustrative purposes only.

Investment team

Dr. Kirill Pyshkin, Director, is a senior portfolio manager and lead manager of the Credit Suisse (Lux) Edutainment Equity Fund. Kirill started his career in 2000 as a management consultant in the technology, media, and telecom sectors. After completing his MBA in London, he covered global technology companies as an equity research analyst on the sell and buy side before becoming a generalist global equities portfolio manager. Kirill has extensive experience in running thematic strategies and, in particular, Sustainable and Responsible Investing (SRI) strategies. Kirill earned his PhD in semiconductor physics from the University of Cambridge. He joined the Credit Suisse Thematic Equity team in 2019.

Martins Donins, CFA, Assistant Vice President, is an equity analyst in the Thematic Equities team at Credit Suisse Asset Management. He is responsible for deep-dive bottom-up research into stocks, sectors, technologies, and solutions relating to our pure-play investment themes, and is involved in portfolio construction and portfolio management. Previously, Martins worked in the Investment Solutions & Products division at Credit Suisse and, in 2018, joined the Thematic Equities team as part of his training program. He holds a bachelor's degree in economics from Stockholm School of Economics and a master's in banking and finance from HSG University, St. Gallen.

Dr. Kirill Pyshkin
Portfolio Manager of the Credit Suisse (Lux) Edutainment Equity Fund

Martins Donins
Analyst of the Credit Suisse (Lux) Edutainment Equity Fund

> Knowledge is power. Information is liberating. Education is the premise of progress, in every society, in every family.

Kofi Annan

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