

Impact and engagement report Credit Suisse (Lux) Environmental Impact Equity Fund

January 2023

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Introduction

More than a year has passed since the first impact and engagement report for the Credit Suisse (Lux) Environmental Impact Equity Fund was published. The report detailed the impact that our investee companies' products and services made in the twelve months since the fund's launch in June 2020.

Today, we are pleased to present the second report that provides information on key industry developments and the impact of our portfolio companies between June 2021 and June 2022.¹



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During this period, several key developments affected equity markets and the Credit Suisse (Lux) Environmental Impact Equity Fund portfolio companies. Just as the world recovered from the shock of the COVID-19 pandemic and damaged supply chains were fixed, the war in Ukraine triggered rising geopolitical tensions accompanied by soaring energy prices in Europe, sending shock waves rippling to other parts of the world. Understandably, the issue of energy security, or how to ensure access to affordable energy, has since dominated public debate.

At the same time, there have been daily reminders that an even bigger challenge lies ahead. The evidence suggests that climate change is now a reality, causing a deeply concerning increase in extreme rainfall, storms,² and droughts, leaving crucial infrastructure severely damaged, and putting agricultural production at risk.³

When we consider the issues of climate change and energy security together, it becomes clear that the journey to transform the global economy into a more sustainable model has only just begun. It is

crucial to adopt solutions that decarbonize societies quickly while meeting the rising energy demands of the 21st century. Furthermore, recent supply chain issues have taught us that we need to review the current globalization model. The new model will be determined, in part, by viewing resources more holistically, as envisioned in a circular-economy manufacturing model that recovers and reuses much higher rates of input materials.

Recently introduced landmark policy frameworks echo the above. The REPowerEU plan, designed to replace fossil fuel imports from Russia to Europe, lays out an aggressive growth plan for renewables, energy storage, and energy efficiency. In August 2022, the US passed the so-called "Inflation Reduction Act", which earmarks USD 369 bn for clean energy technologies to tackle climate change.⁴ Both frameworks aim to increase the domestic content for, for instance, battery materials to foster energy independence. With more countries following a similar path, investments in technologies with a positive environmental impact are set to rise in the years ahead.

¹ For further information about the environmental, social, and governance (ESG) investment criteria and the sustainability-related aspects of the fund, please consider the legal and regulatory documents of the fund (e.g. the prospectus) and visit credit-suisse.com/esg. In addition to sustainability-related aspects, the decision to invest in the fund should take into account all objectives and characteristics of the fund as described in its prospectus, or in the information which is to be disclosed to investors in accordance with applicable regulations.

² World Meteorological Organization. 2022. Climate change increased extreme rainfall in Southeast Africa storms.

³ Stanford Woods Institute for the Environment. 2021. Seven Years of Agricultural Productivity Growth Lost Due to Climate Change.

⁴ The White House. 2022. Remarks by President Biden on the Inflation Reduction Act of 2022.

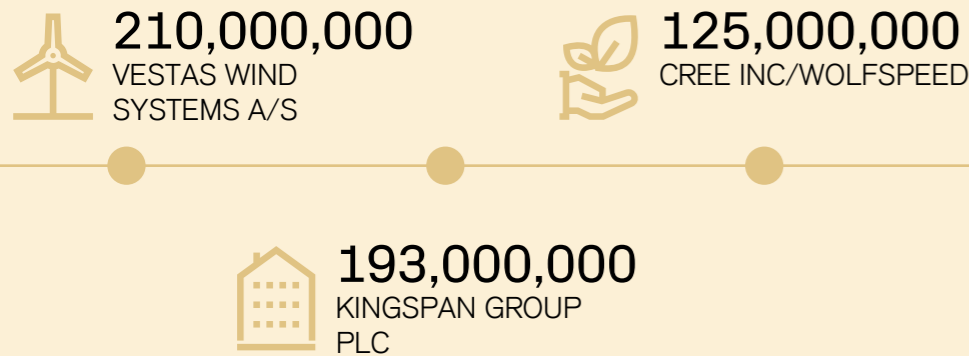


The impact of our portfolio companies

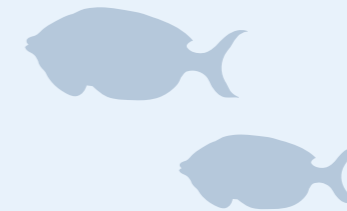
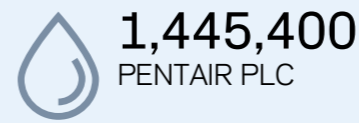
Our planet is heating up as atmospheric concentrations of greenhouse gas have reached unprecedented levels,⁵ with carbon dioxide emissions indisputably being the primary source of the problem. Furthermore, overconsumption of natural resources beyond the planet's regenerative capacity is driving demand across several industries for more sustainable solutions. The Environmental Impact strategy portfolio companies provide products and services that enable transformative change toward decarbonization and a more efficient use of natural resources.

⁵ United States Environmental Protection Agency. 2022. Climate Change Indicators: Atmospheric Concentrations of Greenhouse Gases.

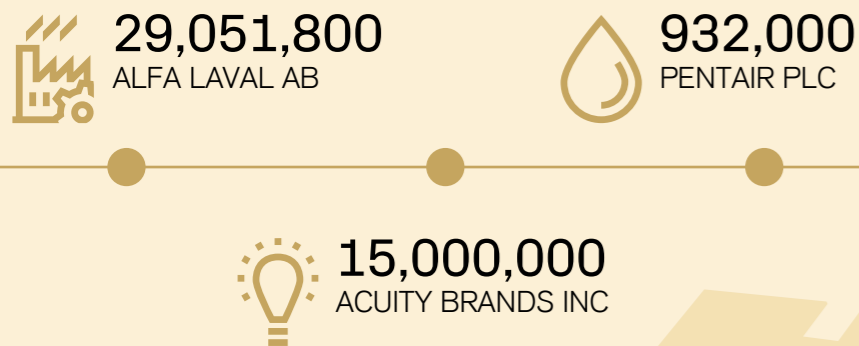
Emissions avoided (t CO₂)



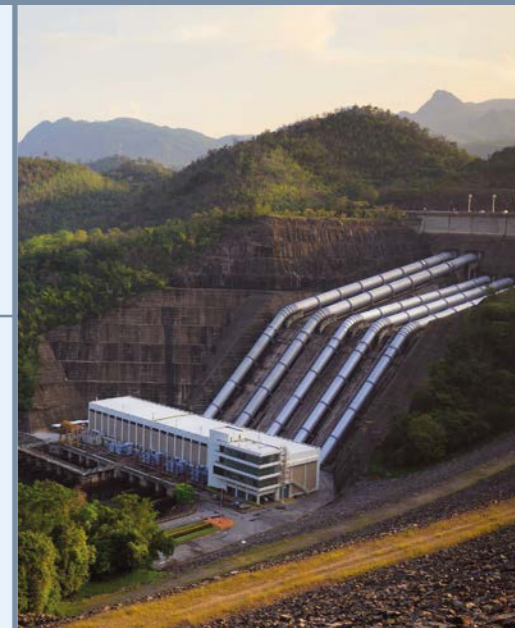
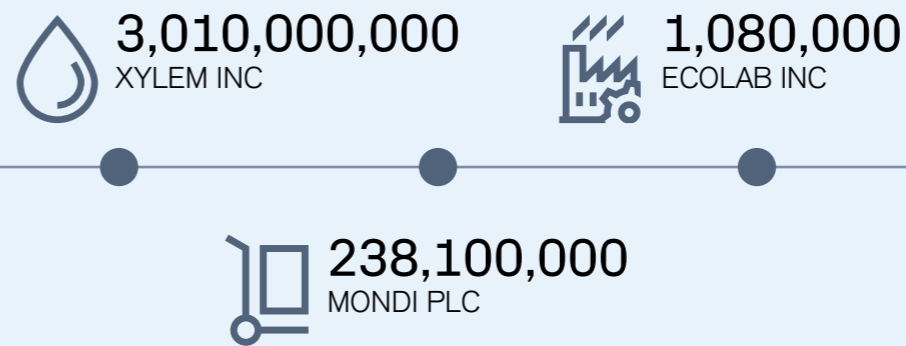
Drinking water supplied (m³)



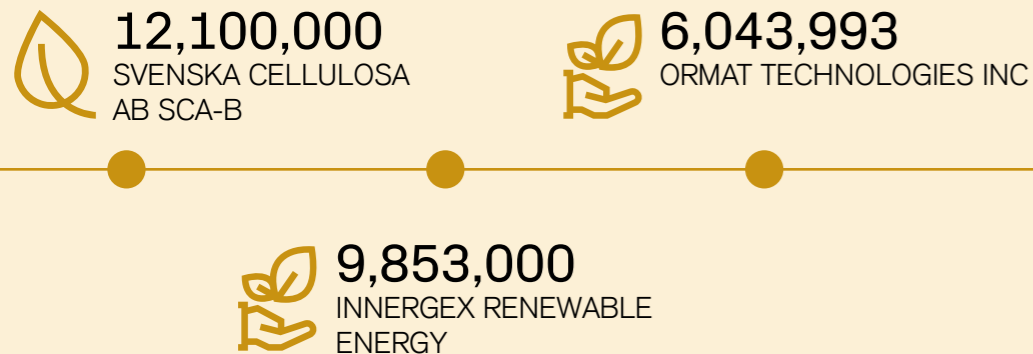
Energy saved (MWh)



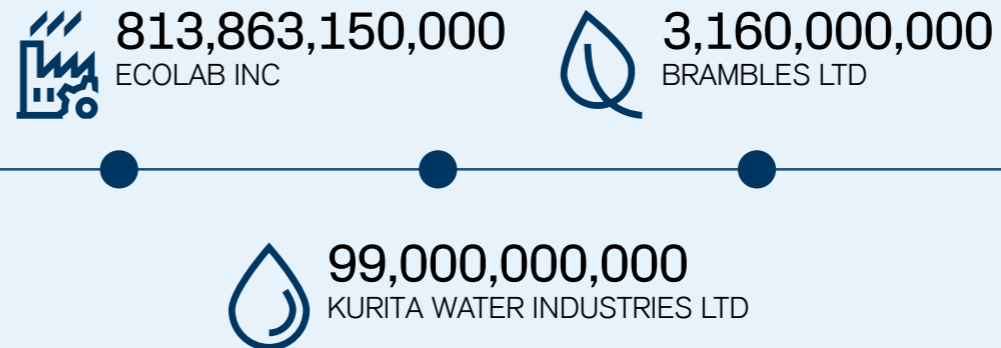
Wastewater treated (m³)



Renewable energy produced (MWh)



Water saved (l)



Based on data included in company reports. Credit Suisse has performed no verification of the data. Further information can be found in the Appendix.

Waste avoided (t)



1,400,000
BRAMBLES LTD



274,000
KURITA WATER INDUSTRIES LTD



900,000
CHR HANSEN HOLDING A/S



Trees planted



150,000,000
WEYERHAEUSER CO



54,000,000
CANFOR CORP



112,000,000
SVENSKA CELLULOSA AB SCA-B



22,807,040
MONDI PLC



3,245,613
BRAMBLES LTD



Waste collected/recycled (t)



15,337,456
WASTE MANAGEMENT INC



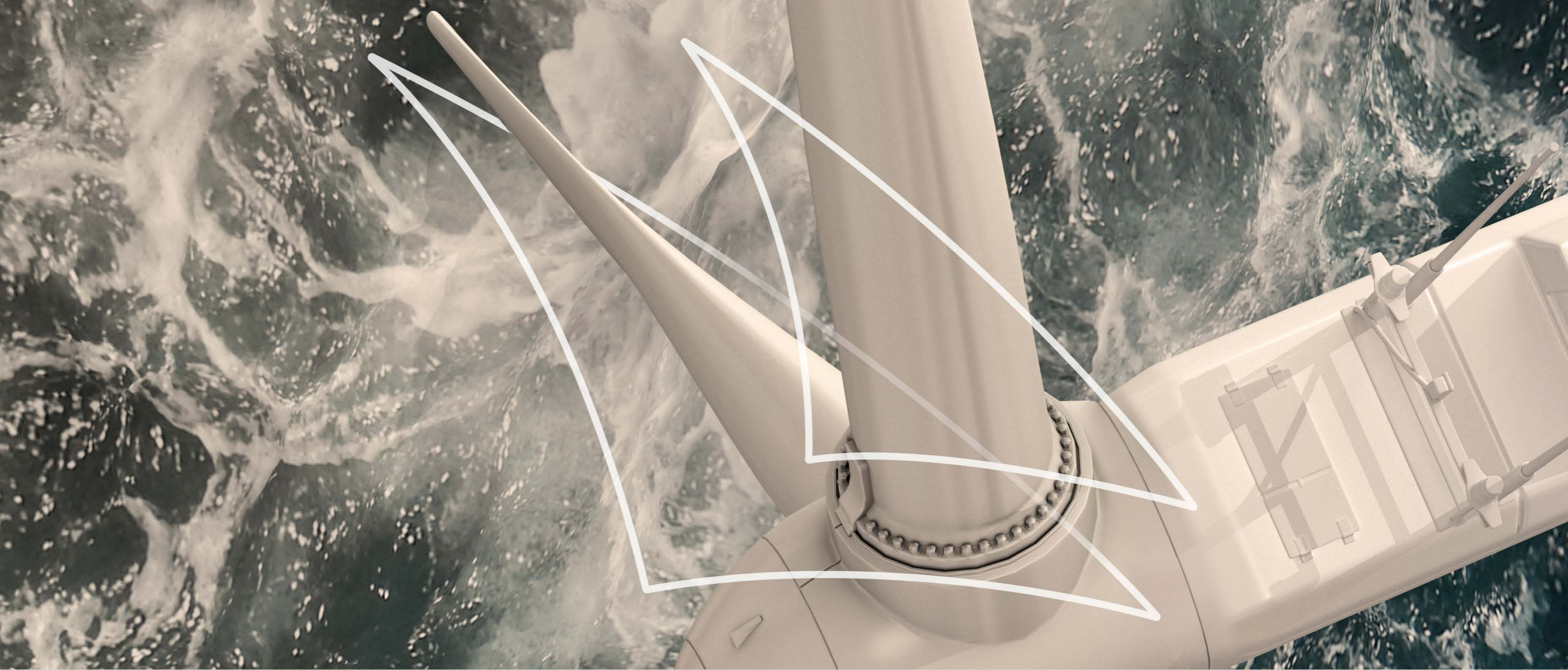
754,237
MONDI PLC



5,693,400
DS SMITH PLC



Based on data included in company reports. Credit Suisse has performed no verification of the data. Further information can be found in the Appendix.



The Environmental Impact strategy's carbon intensity compares favorably to the broader market

The Environmental Impact strategy's carbon intensity compares favorably to the broader market

Most of our portfolio companies manufacture and sell products that provide an environmental benefit at their point of use, either through higher efficiency – LED lighting or high-efficiency

semiconductors, for example – or through a technology that enables an activity to be decarbonized – such as wind turbines or solar panels.

Scope 1 emissions are generated by a company directly from burning fuels (stationary or mobile) or industrial processes.

Scope 2 emissions are primarily those associated with the electricity consumed by a company.

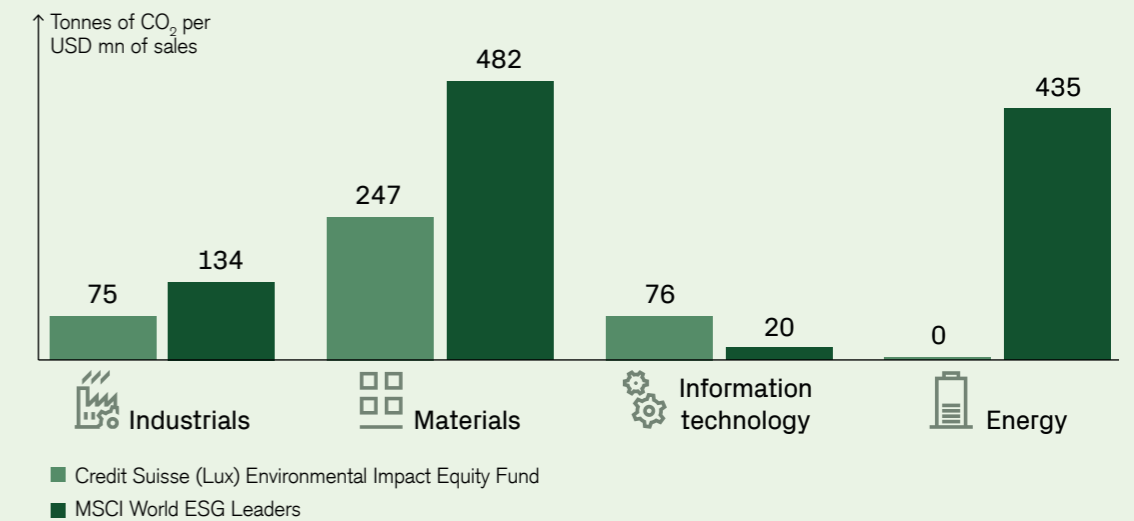
Scope 3 emissions are all others associated with a company's operations such as business travel, waste generated, and products both upstream (in the supply chain) and downstream (use of the product and end of life). Scope 3 emissions typically account for the largest proportion of a company's emissions.

Source Corporate Standard | Greenhouse Gas Protocol (ghgprotocol.org)

Stepping back from the utilization stage of the products sold by our portfolio companies, we also note that, by and large, our holdings have a lower carbon intensity – Scope 1 and Scope 2 – than those in the reference index, MSCI World ESG Leaders. Carbon intensity is the measure of CO₂ produced per US dollar of sales (in tonnes of CO₂ emitted per USD mn of sales), enabling different-sized companies to be compared. To enhance the comparability between the Credit Suisse (Lux) Environmental Impact Equity Fund and the

reference index, we assign investee companies to a specific economic sector according to the Global Industry Classification Standard (GICS) and aggregate their carbon intensity accordingly. The Credit Suisse (Lux) Environmental Impact Equity Fund has the highest allocation to the industrial, materials, and IT sectors. Figure 1 shows the carbon intensity of each of these sectors for the Credit Suisse (Lux) Environmental Impact Equity Fund and the MSCI World ESG Leaders index.

Figure 1: Carbon intensity of selected GICS sectors



Sources MSCI, Credit Suisse
Data as of June 30, 2022.



Carbon intensity is measured in tonnes of CO₂ per USD mn of sales. CO₂ emissions correspond to the company's most recently reported or estimated Scope 1 and Scope 2 greenhouse gas emissions normalized by sales in USD.

In the industrial and materials sectors, our portfolio companies have an underlying carbon intensity that is significantly lower than that of the same sector in the reference index.

In the IT sector, our portfolio holdings have a higher underlying carbon intensity than those in the reference index. This is a result of the different types of companies and industry exposure we hold compared to the reference index.

Our IT portfolio companies are essentially a mix of manufacturing companies whose products bring positive environmental benefits such as solar panels, inverters, high-efficiency semiconductors for power management, and other types

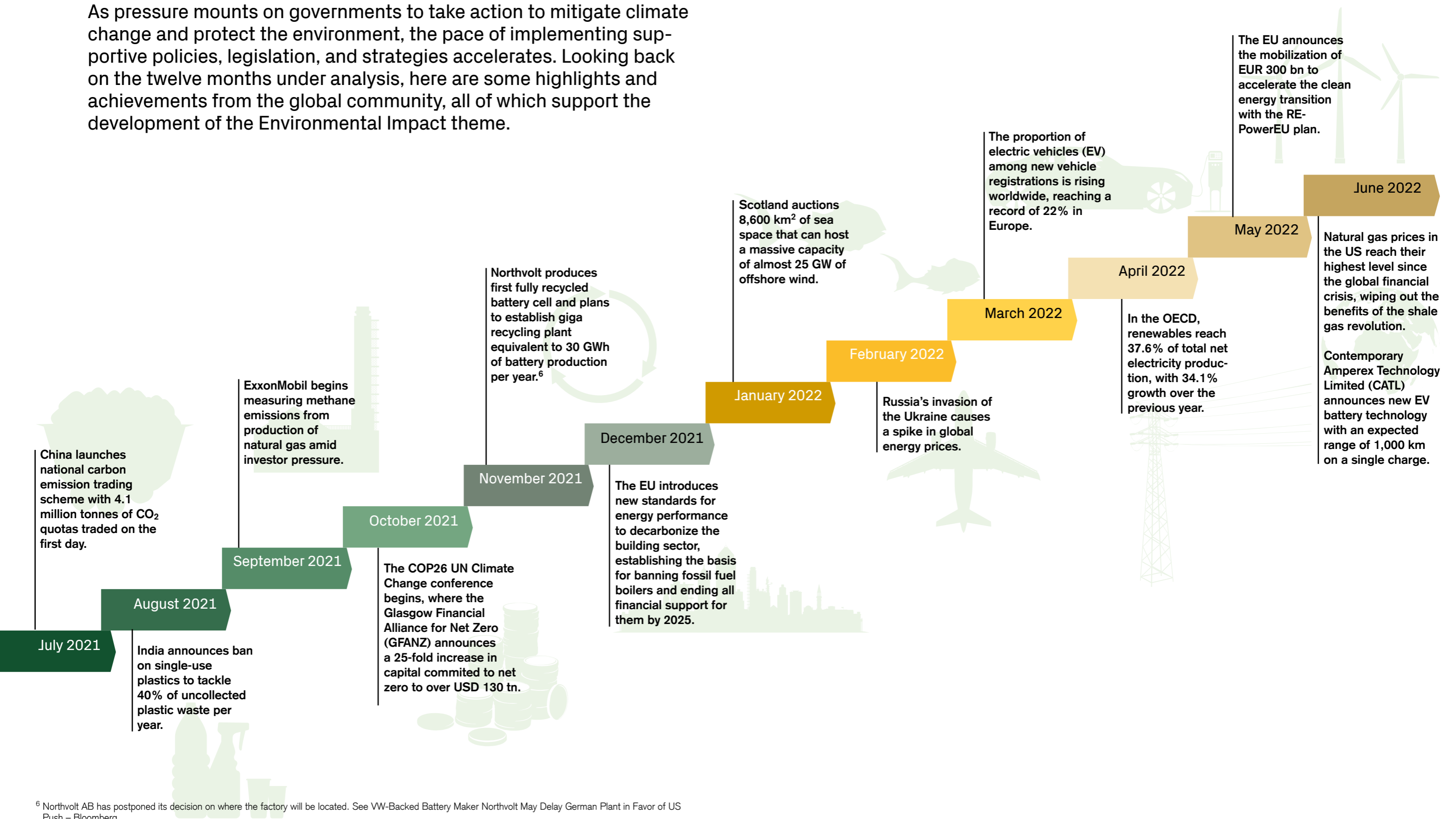
of electronic and electrical equipment. In contrast, the companies in the reference index have a bias toward non-manufacturing industries – such as software – which are, by definition, less energy intensive. Consequently, to contrast the mismatch between the GICS classification and the end-use of the products manufactured by our portfolio companies in the IT sector – electricity production, power management, etc. – we provide the underlying carbon intensity of the energy sector given the end-use similarities between our IT- and energy-sector companies. During the period analyzed in this report, the Credit Suisse (Lux) Environmental Impact Equity Fund had no allocation to this sector.



The year in retrospect

The year in retrospect

As pressure mounts on governments to take action to mitigate climate change and protect the environment, the pace of implementing supportive policies, legislation, and strategies accelerates. Looking back on the twelve months under analysis, here are some highlights and achievements from the global community, all of which support the development of the Environmental Impact theme.



⁶ Northvolt AB has postponed its decision on where the factory will be located. See VW-Backed Battery Maker Northvolt May Delay German Plant in Favor of US Push – Bloomberg



Where things stand today

Where things stand today

The war in Ukraine triggered Europe's worst energy crisis in decades. Given Russia's key role as a global energy supplier, accounting for 18% of the world's gas output and 12% of crude exports,⁷ energy security immediately took center stage in Europe and other parts of the world that rely heavily on energy imports. The emergency measures announced naturally prioritize the basic supply of energy to households and attempt to shield economic activity as far as possible. However, given the urgency imposed by climate change to transition global economies away from finite to renewable resources, strategic decisions are reflecting the net zero agenda.

As the effects of climate change have become increasingly apparent, we note that they are, in fact, worse than expected. In February 2022, the United Nations' Intergovernmental Panel on Climate Change (IPCC) reported that even at temperatures lower than the preferred maximum 1.5°C target stipulated by the Paris Agreement, the effects of climate change are already wreaking havoc on ecosystems and threatening the well-being and very existence of global populations.⁸ The resultant disrupted weather patterns are causing catastrophic droughts and heat waves, obliterating flora and coral reefs, and causing ice caps to melt. The latter has brought with it rising sea levels, which have already begun driving out communities in at-risk areas. If they persist, these acute shocks could even increase the possibility of social upheaval and violent conflict in certain regions as malnutrition becomes widespread and access to critically scarce natural resources dries up.

The financial cost of climate-change-induced natural disasters is also ballooning, having resulted in economic losses of USD 280 bn in 2021 alone, making it the second most costly year ever for insurance companies. Hurricanes, cold snaps, and tornadoes were particularly heavy contributors, while 10,000 people lost their lives as a result of these disasters.⁹

Fortunately, many technologies helping to address these issues have already reached market maturity. For example, the market share for electric vehicles in new car registrations has surpassed 20% in major markets in Asia and Europe.¹⁰ Although the US has so far lagged behind these markets, US registrations of pure battery electric vehicles have exceeded 5% this year, signaling that demand is picking up.¹¹

Similar positive demand trends can be seen for adjacent markets such as energy storage solutions, where prices for residential solutions have reached a tipping point and demand from utility-scale projects is further propelling mass production. Another example is green hydrogen, which could be a viable alternative to fossil fuels, with its variety of applications in industrial processes, transportation, heating, and power generation. Furthermore, the process of producing green hydrogen, using water electrolysis, for example, has already been proven and is readily scalable.

18%
of the world's gas output

12%
of crude exports

USD 280 bn
economic losses in 2021

20%
electric vehicles in
Asia and Europe

⁷ IEA. 2022. Frequently Asked Questions on Energy Security.

⁸ IPCC. 2022. Climate Change 2022 – Impacts, Adaptation and Vulnerability.

⁹ Munich RE. 2022. Hurricanes, cold waves, tornadoes: Weather disasters in USA dominate natural disaster losses in 2021.

¹⁰ CleanTechnica. 2022. World BEV Sales – Top Automotive Groups.

¹¹ Cox Automotive. 2022. EV Sales Hit New Record in Q2 2022.



United Nations Sustainable Development Goals

United Nations Sustainable Development Goals

The increasing importance of aligning investments with investors' personal values has become evident in recent years, as investors reorient their portfolios toward companies that contribute positively to society and the environment. Although one primary investment objective is to target positive financial returns, additional objectives supporting specific positive externalities can also be achieved by allocating capital, for instance, to companies that provide solutions to environmental issues. While measuring financial objectives is quite straightforward, gauging environmental externalities can be more challenging. The United Nations Sustainable Development Goals (UN SDGs), however, offer a useful framework for identifying a company's contribution to social and environmental outcomes.

Our Credit Suisse (Lux) Environmental Impact Equity Fund focuses on companies that make net positive contributions to the UN SDGs, not only by operating responsibly, but specifically through the

benefits that their products and services bring to the table when it comes to reducing their customers' ecological footprints. Our holistic approach to investing in such companies via our four sub-themes (Sustainable infrastructure, Carbon reduction technologies, Waste mitigation, and Resources) allows us to target UN SDGs, particularly numbers 6: Clean Water and Sanitation, 7: Affordable and Clean Energy, 9: Industry, Innovation and Infrastructure, 11: Sustainable Cities and Communities, 12: Responsible Consumption and Production, and 13: Climate Action.

By channeling capital into companies that can innovate and deliver technologies enabling end users to reduce emissions, lower waste, and consume less energy and fewer natural resources – which aligns with UN SDGs – investors may have a positive influence on achieving climate and other social goals while also capturing rewarding growth opportunities.



Figure 2: The Credit Suisse (Lux) Environmental Impact Equity Fund's investment strategy aligns with selected SDGs



Sources MSCI ESG, sdfs.un.org/goals, Credit Suisse
This is an indicative asset allocation that may change over time.

For illustrative purposes only.

The alignment of the Credit Suisse (Lux) Environmental Impact Equity Fund's investment strategy with selected UN SDGs compared to that of the fund's benchmark, MSCI World ESG Leaders. For more details on the methodology, please refer to the Appendix (Part II: Alignment with UN SDGs).



Ensure availability and sustainable management of water and sanitation for all

- Water-related ecosystems are being degraded at an alarming rate. Over the past 300 years, more than 85% of the planet's wetlands have been lost.¹²
- At the current rate of progress, the United Nations estimates that 1.6 billion people will not have safely managed drinking water.¹²
- Our water-related companies contribute most to UN SDG 6. During the twelve months under analysis, the portfolio invested in companies operating in water treatment, filtration, water collection, and conservation.

¹² United Nations. The Sustainable Development Goals Report 2022.

Credit Suisse (Lux) Environmental Impact Equity Fund



Legend: Strongly aligned (dark blue), Aligned (medium blue), Strongly misaligned (light blue), Misaligned (very light blue), Net alignment (darker blue)

MSCI World ESG Leaders



Legend: Strongly aligned (dark blue), Aligned (medium blue), Strongly misaligned (light blue), Misaligned (very light blue), Net alignment (darker blue)

Sources MSCI, Credit Suisse. Data as of June 30, 2022.

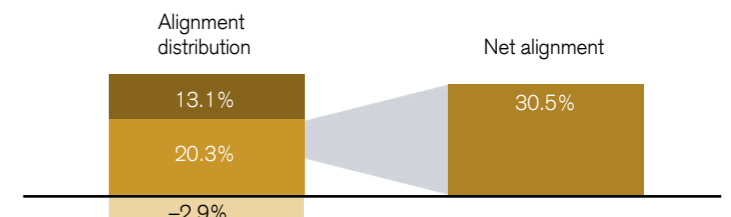


Ensure access to affordable, reliable, sustainable, and modern energy for all

- Despite the progress made in the last decade, in 2020, there were still over 700 million people worldwide with no access to electricity, while 2.4 billion people had to resort to harmful and polluting fuels in order to cook food.¹³
- Apart from the need to increase clean energy supply, significant steps must be taken in terms of demand in order to reduce global primary energy intensity.¹³
- The portfolio holds companies that operate in several industries and make a positive contribution to UN SDG 7. During the twelve months under analysis, the portfolio invested in companies standing to benefit from the increase in clean electricity production across the value chain of solar, wind, hydro, and geothermal energy.

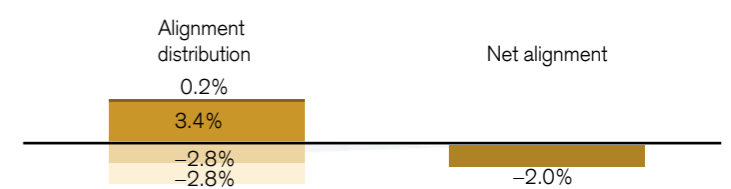
¹³ Ibid.

Credit Suisse (Lux) Environmental Impact Equity Fund



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MSCI World ESG Leaders



Legend: Strongly aligned (dark olive), Aligned (medium olive), Strongly misaligned (light olive), Misaligned (very light olive), Net alignment (darker olive)

Sources MSCI, Credit Suisse. Data as of June 30, 2022.



Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation

- The post-pandemic rebound in manufacturing was uneven across regions and industries. Higher-technology industries recovered faster, highlighting the important role of innovation in achieving UN SDG 9.¹⁴
- Following a two-billion-tonne reduction in global CO₂ emissions in 2020, the economic rebound in 2021 saw CO₂ emissions of 36.3 billion tonnes for that year: the highest energy-related levels ever recorded.¹⁴
- A typical company promoting UN SDG 9 has significant industrial know-how grounded in the history of innovation. Companies in the solar, wind, and geothermal industries contribute strongly to this SDG. Additionally, the fund invested in companies whose products promote the electrification and adoption of more sustainable materials.

¹⁴ Ibid.

Credit Suisse (Lux) Environmental Impact Equity Fund



Strongly aligned Aligned Net alignment
Strongly misaligned Misaligned

MSCI World ESG Leaders



Strongly aligned Aligned Net alignment
Strongly misaligned Misaligned

Sources MSCI, Credit Suisse. Data as of June 30, 2022.

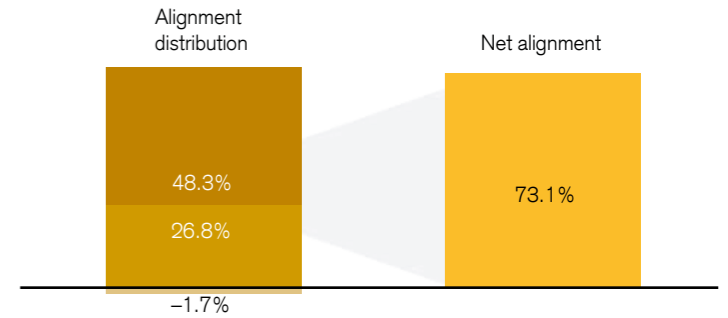


Ensure sustainable consumption and production patterns

- Unsustainable patterns of production and consumption are the common root causes of climate change, pollution, and loss of biodiversity. Therefore, the scope for improvement involves several different industries and activities.
- In 2020, it was estimated that almost 30% of food was lost or wasted globally.¹⁶ Less than a quarter of global electronic waste (e-waste) is being safely managed, which is becoming an ever-growing issue.¹⁶
- The portfolio companies contributing to UN SDG 12 are involved in efficient lighting, electric vehicles, salmon farming, clean electricity technologies, efficient materials, and sustainable forestry.

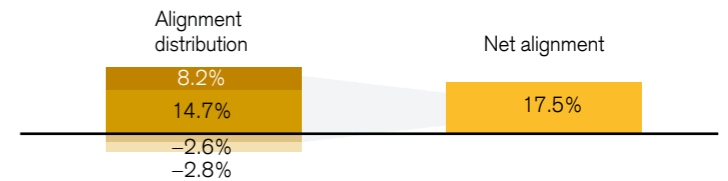
¹⁶ Ibid.

Credit Suisse (Lux) Environmental Impact Equity Fund



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MSCI World ESG Leaders



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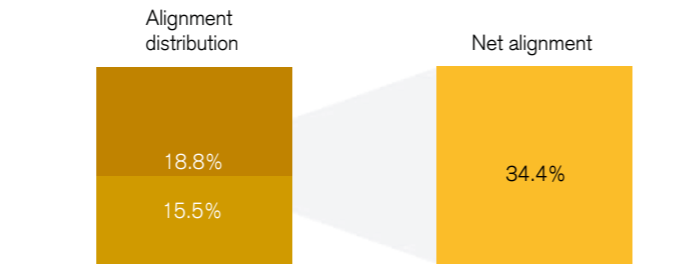


Make cities and human settlements inclusive, safe, resilient, and sustainable

- Improving living conditions in urban centers requires significant investments in housing, basic services, sustainable mobility, and connectivity.
- In 2020, only 37% of urban areas in 1,510 cities around the world were served by public transport, whereas in 2022, only 55% of municipal solid waste produced worldwide was managed at a controlled facility.¹⁵
- The portfolio companies contributing to UN SDG 11 operate in many areas: during the period under analysis, the portfolio invested in companies involved in waste management, urban mining, smart metering, efficient lighting, efficient materials, etc.

¹⁵ Ibid.

Credit Suisse (Lux) Environmental Impact Equity Fund



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MSCI World ESG Leaders



Strongly aligned Aligned Net alignment
Strongly misaligned Misaligned

Sources MSCI, Credit Suisse. Data as of June 30, 2022.

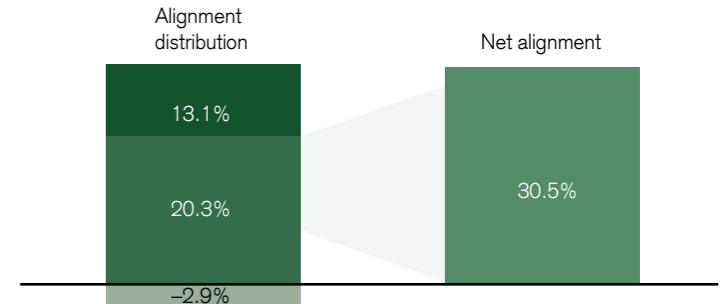


Take urgent action to combat climate change and its impacts

- The risks associated with climate change represent a key threat to human life and the planet. Phenomena such as rising sea levels, loss of biodiversity, and the risk of large-scale disasters such as droughts or fires underline the sense of urgency.
- Countries are responding to this challenge, with a total of 192 countries announcing their first nationally set contributions under the UN Framework Convention on Climate Change by April 2022.¹⁷
- The portfolio companies contributing positively to UN SDG 13 are involved in clean electricity technologies, power management, sustainable materials, sustainable transportation, and smart metering.

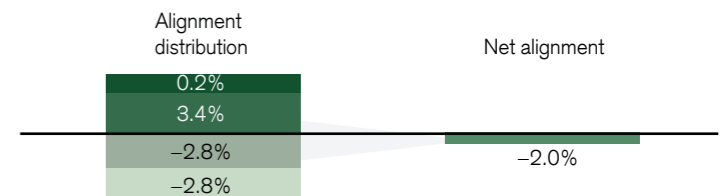
¹⁷ Ibid.

Credit Suisse (Lux) Environmental Impact Equity Fund



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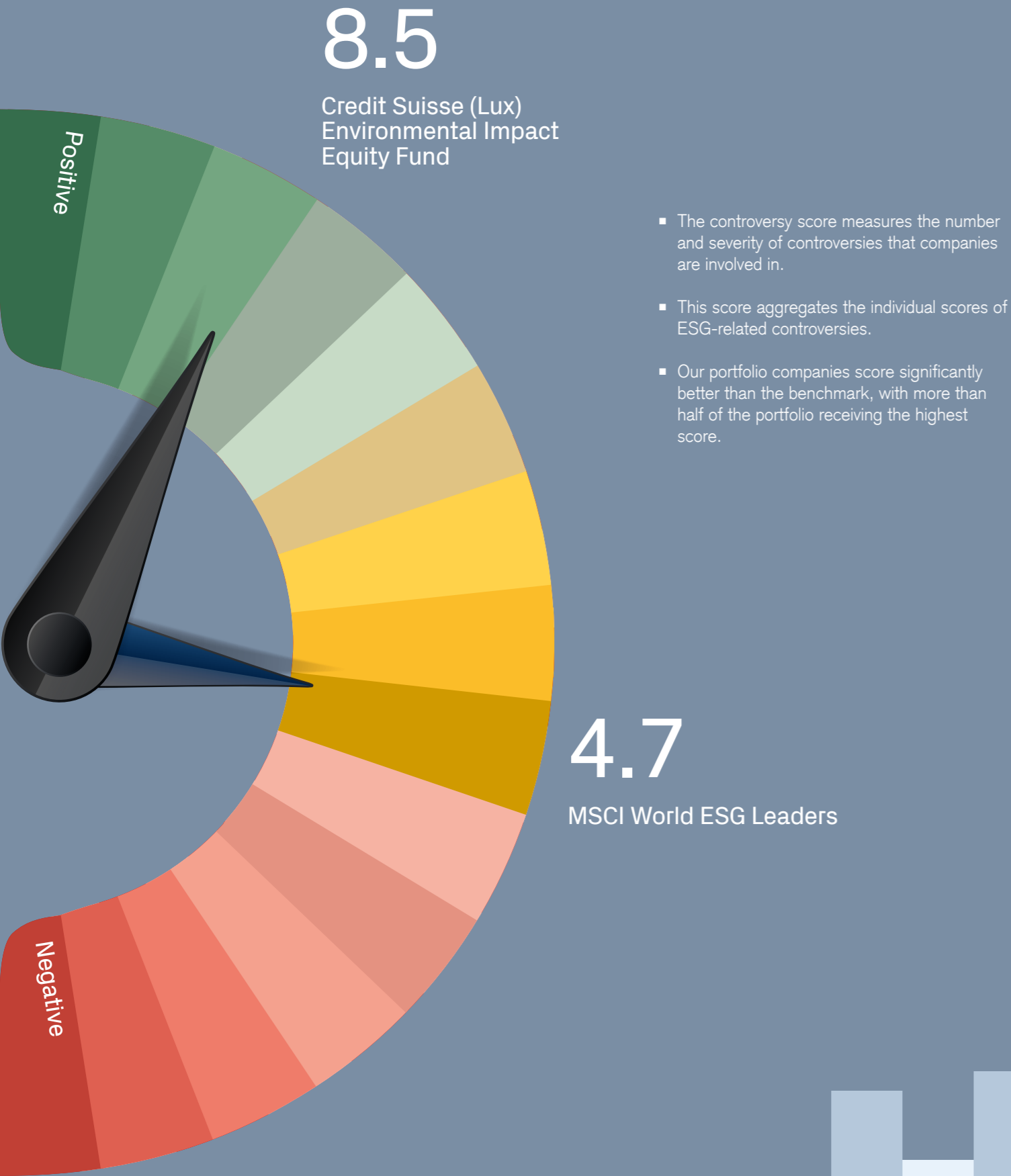
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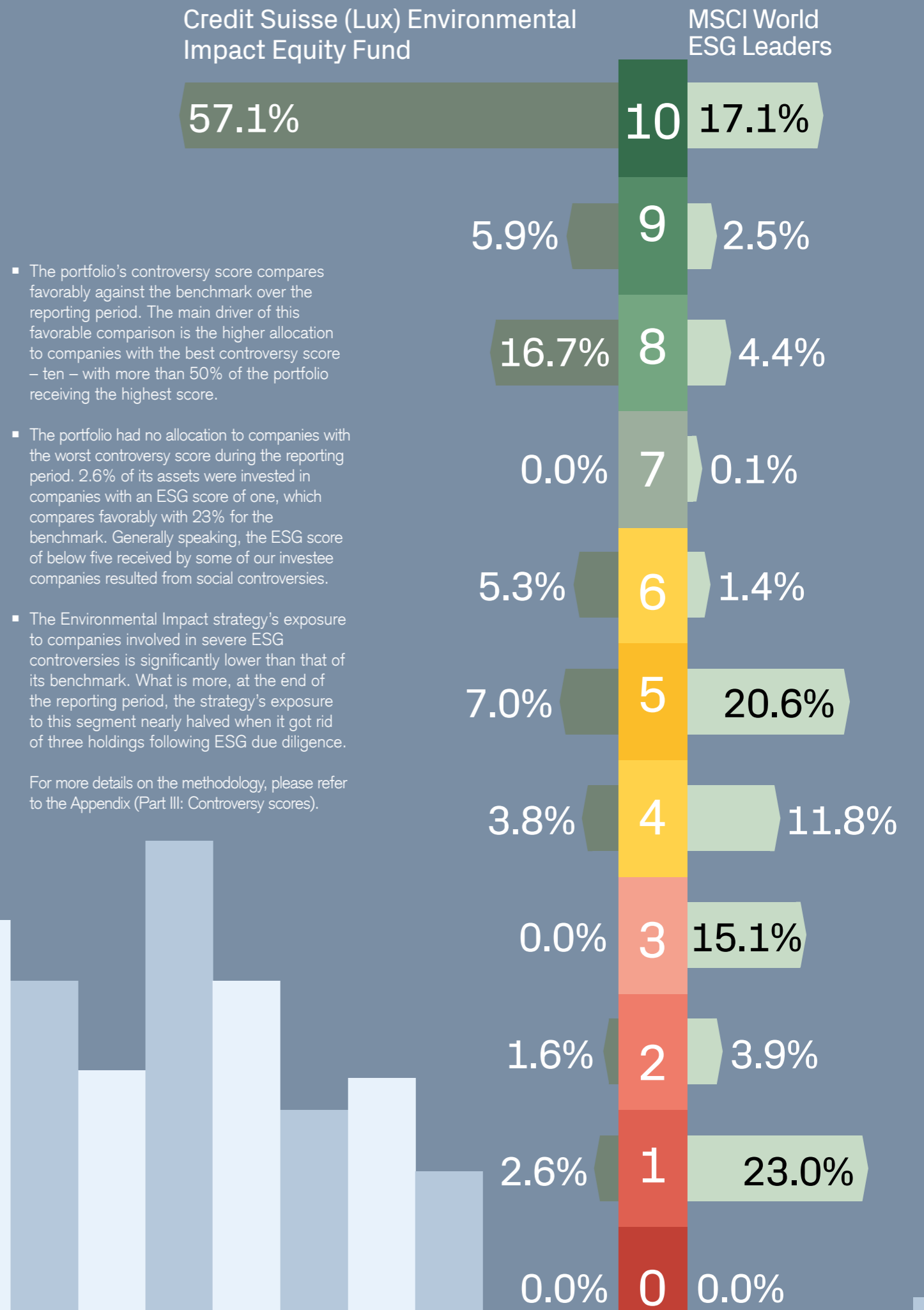
Sources MSCI, Credit Suisse. Data as of June 30, 2022.

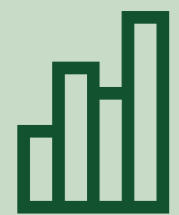
Figure 3: ESG controversy score for the Credit Suisse (Lux) Environmental Impact Equity Fund



Sources MSCI, Credit Suisse

Figure 4: Distribution of ESG controversies





The fund's investment subthemes



Sustainable infrastructure



Green buildings



Energy efficiency



Environmental services



Water management

The sustainable infrastructure challenge

In our increasingly digital world, the role of infrastructure as a vital enabler of economic prosperity still holds true. However, the development of infrastructure has now become more complex, as it must offer sustainability benefits. The sheer scale of infrastructure development is also tremendous. In a net zero scenario by 2050, the floor area of buildings is expected to rise by 75% compared with 2020 levels, which would be the equivalent of adding the surface area of Paris every week until 2050.¹⁸ As such, the challenge of sustainable infrastructure is to decouple floor area growth from energy consumption and rises in emissions.

Optimizing energy use

In 2020, the buildings sector is estimated to have generated approximately 9 Gt of CO₂ emissions,¹⁹ with energy demands standing at 127 exajoules (EJ)¹⁹ (36% of total global final energy demand), making it greater than for the transportation sector. Most of the energy demand in buildings operations is used for space and water heating. A lifecycle assessment of buildings' emissions points to three vectors: decarbonizing power supply, using electrification to leverage the benefits of a clean grid; reducing energy demand through integrated building solutions and zero-carbon heating technologies; and addressing embodied carbon stored in building materials using innovations in construction materials.²⁰ Critically, technologies to reduce energy demand are already available (advanced insulation, heat pumps, smart lighting systems), and these often offer the end user an economic benefit versus existing solutions.

Governments and supranational entities such as the European Union have instituted a significant number of programs aimed at increasing the energy efficiency of existing infrastructure. Environmental concerns are now converging with the energy security issue to form a unified strategic goal. Such a key alignment places the development of sustainable infrastructure at the forefront of public policy, which is expected to accelerate the ongoing adoption of clean technologies.



¹⁸ International Energy Agency. 2021. Net Zero by 2050.

¹⁹ International Energy Agency. 2021. Tracking Buildings 2021.

²⁰ UNEP, Global Alliance for Buildings and Construction. 2021. 2021 Global Status Report for Buildings and Construction.

Case study: Sustainable infrastructure



Founded	2001
Focus	Indoor/outdoor lighting and control systems
Headquarters	Atlanta, Georgia, USA
Number of employees	13,000 (as of 31.08.2021)
Turnover	USD 3.5 bn (as of 31.08.2021)

Acuity Brands Inc. is a North American provider of predominantly LED-based lighting and intelligent building management systems.²¹ By focusing on efficient lighting, smart controls, and entire building management systems, Acuity aims to balance the need for indoor and outdoor optimal lighting conditions as well as optimal energy consumption through a wide range of technologies.

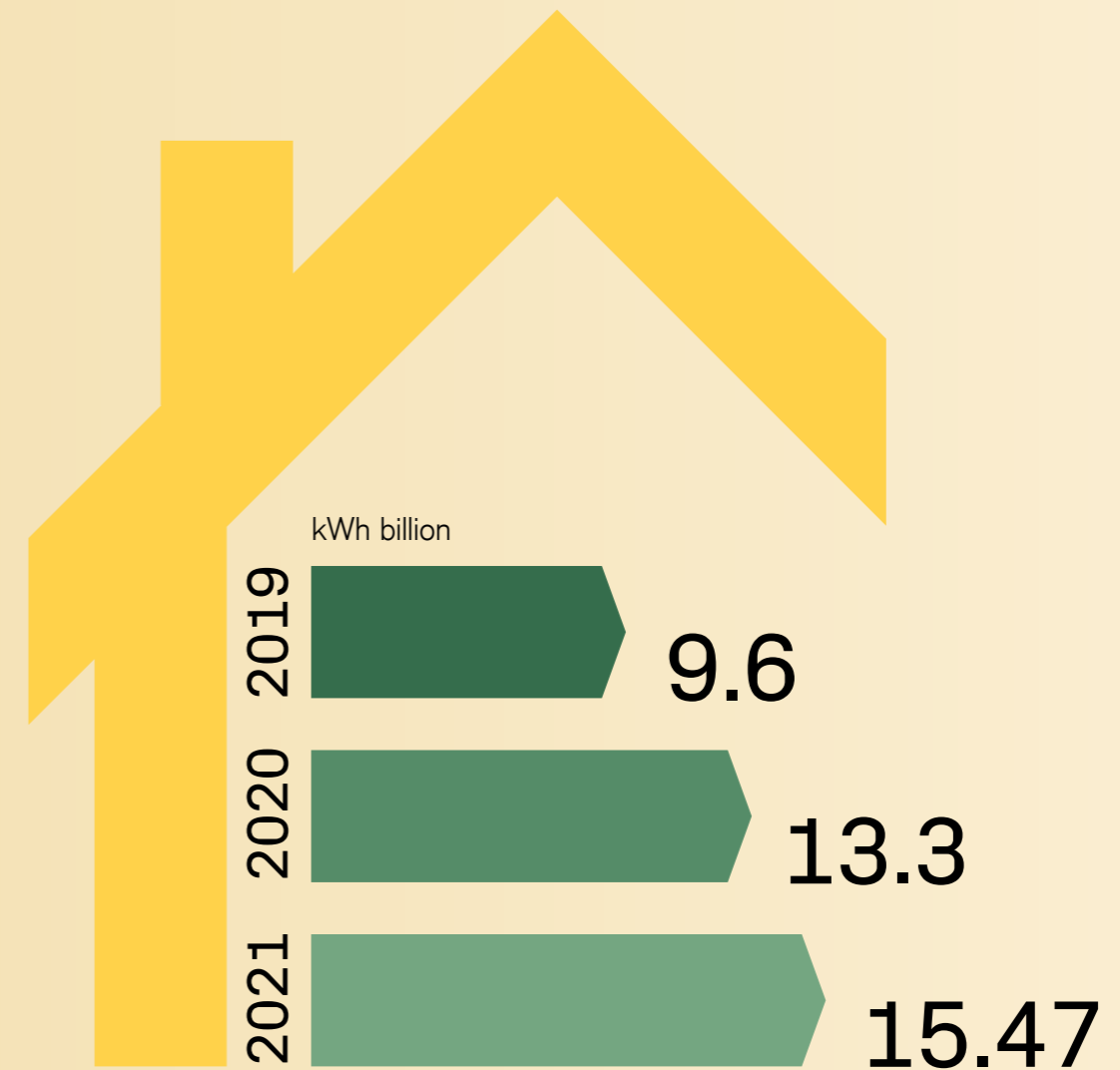
Acuity aims to increase the energy efficiency of its customers. In its lighting division, Acuity sells energy-efficient LED lighting technology solutions for commercial, architectural, and specialty lighting applications. The company complements its lighting business offering with a range of controls that facilitate energy use optimization. In its Intelligent Spaces business, Acuity delivers building management systems to control heating, ventilation, air conditioning, lighting, and building access, delivering end-to-end optimization for buildings.

Demand for Acuity's solutions is driven by the need for energy-efficient infrastructure. Customers implement efficient lighting and building management systems to make energy consumption savings and increase the quality and comfort of their lighting systems. According to the company's report, the increased efficiency of Acuity products sold during FY2021 represents an energy savings potential of 5.47 billion kWh. As Acuity expands its sales, product portfolio, and technologies, it will contribute to increasing energy consumption efficiency, generating a net environmental gain for both its customers and society.

²¹ Acuity Brands. 2021. EarthLIGHT Report 2021.

This case study is for illustrative purposes only. The securities mentioned on this page are meant for illustrative purposes only and are not intended as a solicitation or an offer to buy or sell these securities. The above holdings are shown strictly for information purposes only and do not constitute investment recommendations of Credit Suisse. Please note that the above does not constitute an offer or a solicitation to buy or sell any interest or any investment.

Figure 5: Potential kWh saved by Acuity-sold products in each fiscal year²²



²² Acuity Brands Inc. – 10-K, 2021

2 Resources



Renewable energy



Sustainable forestry



Sustainable agriculture



Land-use efficiency

Present consumption of finite resources is unsustainable

The global economy is consuming natural resources, and especially finite resources, at rates that exceed the planet's capability to replenish them. The solution to the rising costs of extracting finite resources and reducing the environmental impact that stems from this is to replace them with renewable ones.

The energy sector is one of the major users of finite resources. Even though the demand for clean energy sources is increasing, more than 80% of the world's generated energy is still derived from fossil fuels.²³ At present, only around 29% of electricity comes from renewable sources.²⁴ Fossil fuels are still by far the largest contributors to climate change, accounting for more than 75% of global greenhouse gas emissions and as much as about 90% of all carbon dioxide emissions.²⁵

Renewables are the cheapest source of power

To avoid the worst effects of climate change, emissions must be nearly halved by 2030 and brought to zero by 2050.²⁶ In theory, renewable energy sources could provide 65% of the world's total electricity supply by 2030²⁷ and reduce 90% of carbon emissions by 2050. As renewable energy prices have fallen (the cost of solar power fell 85% between 2010 and 2020; the cost of onshore and offshore wind power fell 56% and 48%, respectively²⁸), they are now the cheapest electricity option in most parts of the world.

Yet renewables are not only the most environmentally-friendly – and usually the cheapest – source of energy generation, but they also generate growth. For every dollar invested in renewable energy, three times more jobs are created than in the fossil fuel industry.²⁹ This means that while the transition to net zero emissions will cost about five million jobs in fossil fuel production by 2030, it may create an estimated 14 million new jobs in clean energy.³⁰ In addition, the subsidies required for renewable energy are, in a global sense, relatively small. Achieving net zero emissions by 2050 will require only USD 4 tn in annual subsidies, compared to USD 5.9 tn in subsidies for the fossil fuel industry in 2020.³¹

In addition to renewable energy efforts to mitigate climate change, the use of finite resources in the production of goods can also be reduced. The fertilizer industry is one example that uses particularly large amounts of finite resources. Ammonia production accounts for 2% of total energy use, with almost all energy coming from fossil fuels. This equals the carbon footprint of South Africa's entire energy sector.³² Newly developed biological crop solutions can increase yields while reducing the amount of fertilizer or agrochemicals needed. Denmark's Chr. Hansen has developed a bacillus-based solution that improves the drought resistance of plants and increases yield by up to 20%, depending on the crop and region.³³ This example demonstrates how the use of finite resources can be reduced via increases in production efficiency using bio-based solutions.



²³ International Energy Agency. 2022. World Energy Balances: Overview – Analysis.

²⁴ International Energy Agency. 2021. Renewables – Global Energy Review 2021 – Analysis.

²⁵ The Production Gap. 2019. Production Gap Report 2019.

²⁶ United Nations. Renewable energy – powering a safer future.

²⁷ International Renewable Energy Agency. 2022. World Energy Transitions Outlook: 1.5°C Pathway.

²⁸ United Nations. Renewable energy – powering a safer future.

²⁹ United Nations Secretary-General. 2021. Opening remarks to High-level Dialogue on Energy.

³⁰ International Energy Agency. 2021. The importance of focusing on jobs and fairness in clean energy transitions.

³¹ International Energy Agency. 2021. Net Zero by 2050.

³² International Energy Agency. 2021. New IEA study examines the future of the ammonia industry amid efforts to reach net zero emissions.

³³ Chr. Hansen. Can plant microbes help feed the world?

Case study: Bakkafrost



Founded	1968
Focus	Salmon farming
Headquarters	Glyvrrar, Faroe Islands
Number of employees	1,653 (as of 31.12.2021)
Turnover	USD 5.6 bn (as of 31.12.2021)

The North Atlantic Current around the Faroe Islands provides the perfect conditions for breeding healthy, robust Atlantic salmon. There, three brothers founded the company Bakkafrost, which has been active in salmon fishing since 1968. In its first year, Bakkafrost built a processing plant to increase vertical integration in the value chain. Indeed, as one of the world's most vertically integrated salmon farming companies, Bakkafrost controls all aspects of production. From feed to finished value-added products, traceability and consistently high quality are guaranteed. Bakkafrost was one of the first companies on the Faroe Islands to start fish farming in 1979. Since then, the company has grown through several takeovers and mergers, both onshore and offshore, and completed its initial public offering (IPO) in 2010. Since 2010, Bakkafrost has been deepening its integration in the value chain, which continues to remain a strong focus for growth.³⁴

Toward sustainable farming practices
Bakkafrost has been a driving force behind promoting sustainable farming practices in the industry. All of its farming sites on the Faroe Islands are certified by the Aquaculture Stewardship Council (ASC).³⁵ The ASC is a widely respected certification scheme³⁶ for the aquaculture sector,

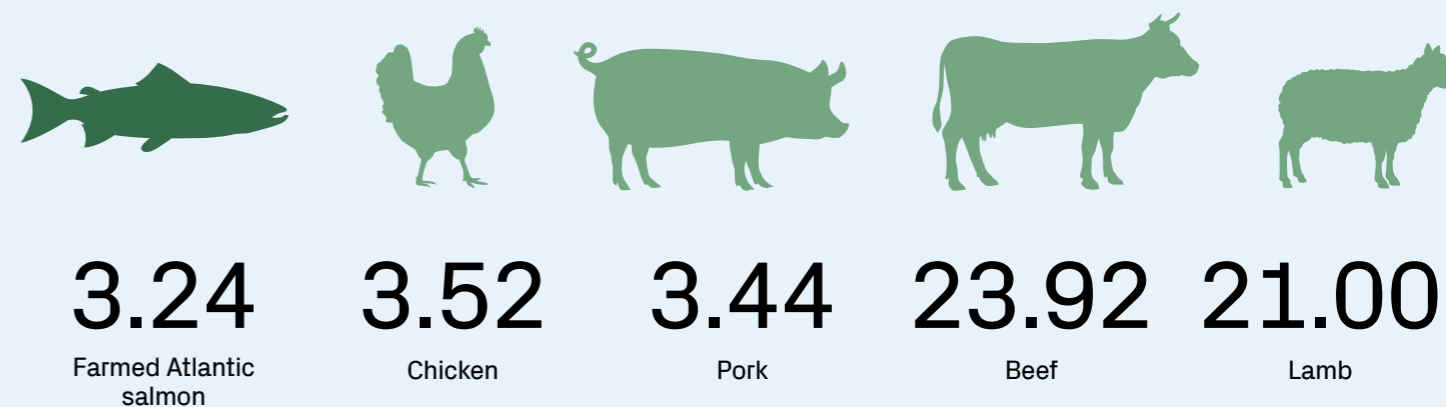
going back to a multi-stakeholder dialogue started by the World Wide Fund for Nature (WWF) in 2004.³⁷ According to the "Good Fish Guide" by the Marine Conservation Society, ASC-certified Atlantic salmon farmed in Europe is rated as a "good alternative" for consumers worried about their impact on the ocean.³⁸ As a member of the Global Salmon Initiative,³⁹ Bakkafrost is committed to a high level of transparency on key environmental issues. Following the strict ASC standards, which require the direction of a veterinary prescription, the company has not reported any measurable antibiotics use for the Faroe Islands since 2013.⁴⁰ The company's leadership in sustainable farming practices is frequently confirmed by its top positions in relevant rankings, such as the Farm Animal Investment Risk and Return (FAIRR) index, which put Bakkafrost in the top ten position in its 2022 ranking⁴¹ and named it the best-performing aquaculture company due to its not having used antibiotics since 2004.⁴²

Salmon's high efficiency as a source of animal protein
Compared to the other main sources of animal protein (see Figure 6), the salmon industry has the smallest carbon footprint. A switch from beef to salmon can reduce one's animal protein carbon footprint by up to 85%.

As the data show, farmed salmon is also the best of the five alternatives when it comes to land use and feed conversion. To obtain 100 g of edible protein, salmon requires the least amount of land. In addition, farmed salmon requires only 1.2 kg–1.5 kg of feed per 1 kg of body weight gain, thereby making farmed salmon the edible protein with the lowest feed conversion ratio.

Figure 6: Carbon footprint of selected food industries

kg CO₂e per kg product



CO₂e is calculated by multiplying the emissions of each of the six greenhouse gases (CO₂, CH₄, N₂O, HFC_s, PFC_s and SF₆) by its 100-year global warming potential (GWP)

Figure 7: Land area needed to produce 100 g of edible protein

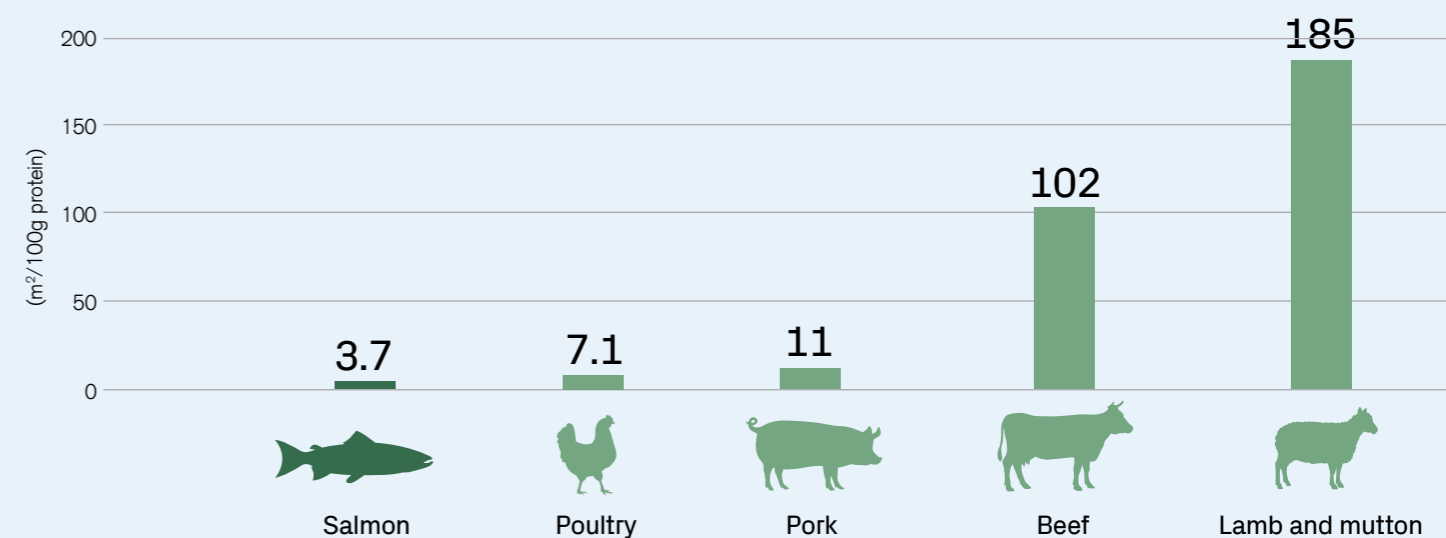
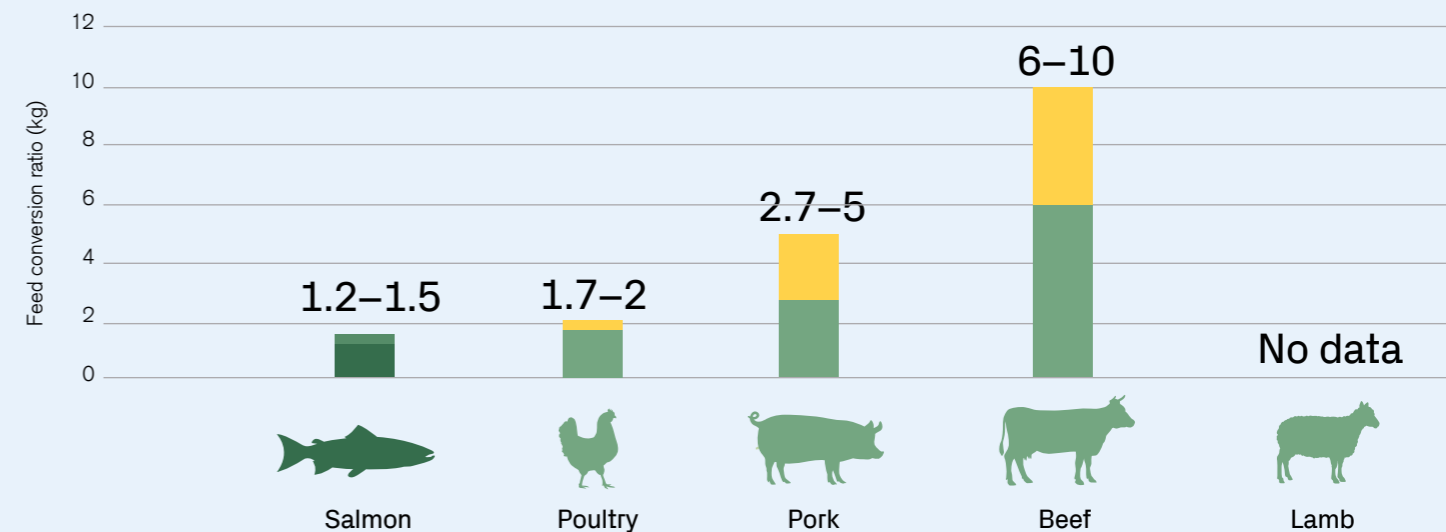


Figure 8: Feed conversion ratio



Note: Feed conversion ratio (FCR) measures the productivity of different protein production methods. It demonstrates the kg in feed needs to increase the animals body weight by 1 kg.

Source Bakkafrost. 2022. Healthy Living – Sustainability Report 2021

³⁴ Bakkafrost. 2022. Bakkafrost Annual Report 2021.

³⁵ Bakkafrost. Healthy living. Summary of sustainability report 2021.

³⁶ ASC & MSC certification

³⁷ ASC International. What we do.

³⁸ Good Fish Guide. Atlantic salmon – sustainability rating.

³⁹ Members | Global Salmon Initiative

⁴⁰ Data Deep Dive | Global Salmon Initiative

⁴¹ Company Ranking In The Coller FAIRR Index | FAIRR.

⁴² Bakkafrost. Sustainability.

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Case study: Bakkafrost

Bakkafrost's efforts toward renewable resources

Bakkafrost is also taking steps to reduce its direct operational environmental impact. The company has built its FÖRKA biogas plant, which uses fish farm waste to produce renewable energy and natural liquid fertilizer for local use. In 2021, FÖRKA received 13,723 tonnes of biological waste from the Faroese salmon industry to produce green energy and fertilizer, and another 143 tonnes of other biological waste. In 2021, FÖRKA supplied 34,271 tonnes of high-quality fertilizer for Faroese agriculture and provided 4.2% of the total renewable electricity generated on the Faroe Islands. This is equivalent to the electricity needs of 1,506 households and the heat supply for 346 households.

Reducing water consumption via recirculation

In addition, of the four largest animal protein sources, salmon has the lowest water footprint (Figure 10), with calculations showing that the water footprint of Bakkafrost salmon is even lower. To reduce water consumption further, Bakkafrost has installed recirculating aquaculture systems (RAS) at Applecross. These systems are much more water- and feed-efficient, and they have enabled Bakkafrost to recycle 99.7% of all water used at its Faroe Islands production facilities. The company is in the process of installing these systems in Scotland as well.

Figure 9: Water recirculation rate

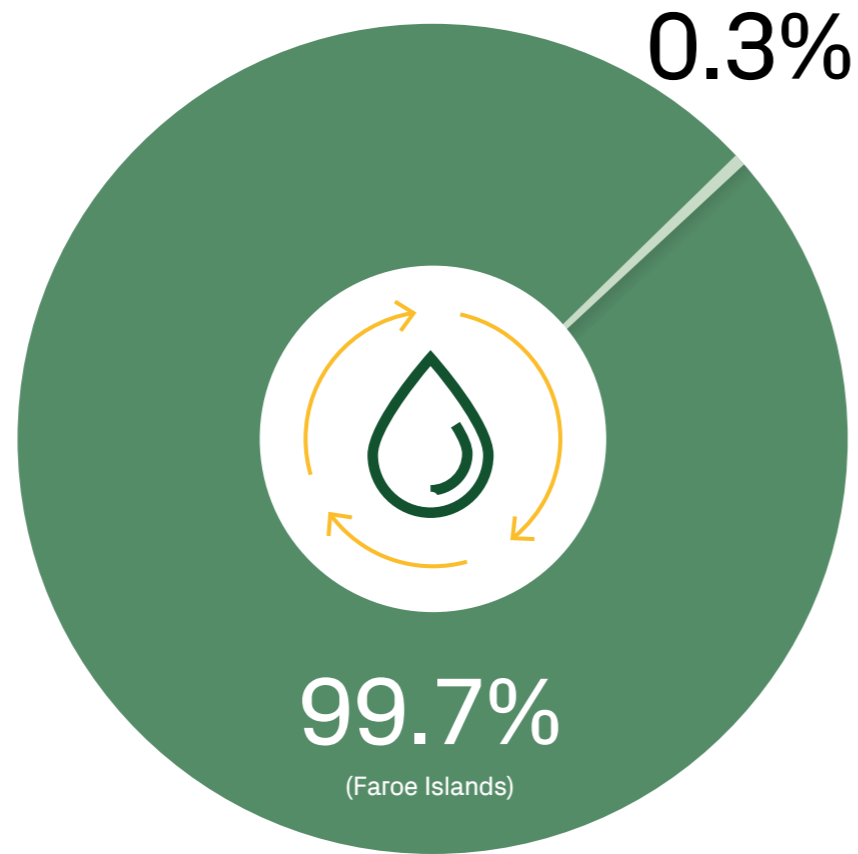
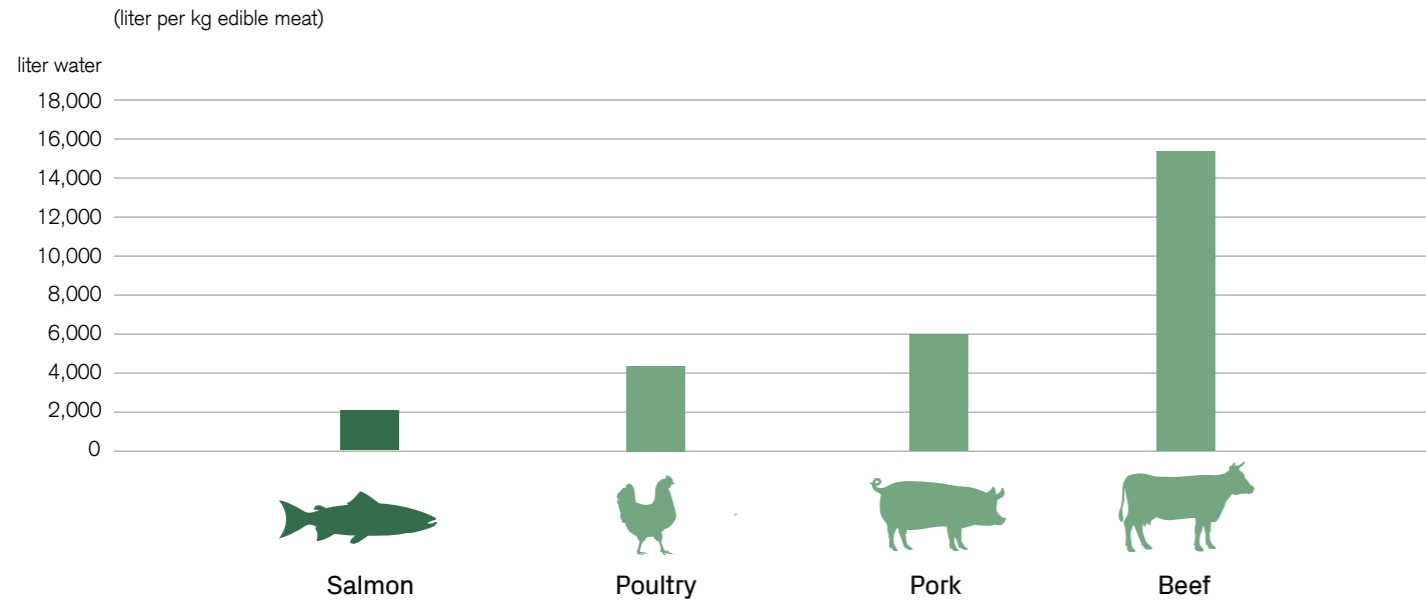


Figure 10: Water consumption per 1 kg of edible meat



Source Bakkafrost. 2022. Healthy Living – Sustainability Report 2021

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Source Bakkafrost

3 Waste mitigation



Recycling



Packaging



Sustainable materials



Waste management

Finding value in waste

Global solid waste volumes are forecasted to rise almost 70% by 2050, rising more than twice as fast as population growth. At the same time, more than 33% of this waste is currently mismanaged using open dumping or burning.⁴³ Looking at the lack of proper waste handling and recycling infrastructure, this figure is much closer to 60% if unspecified landfills are included.⁴⁴ With wealth creation progressing on a global scale, the share of valuable materials that could be recycled from waste streams is increasing as well.⁴⁴

Urban mining capitalizes on growing e-waste volumes

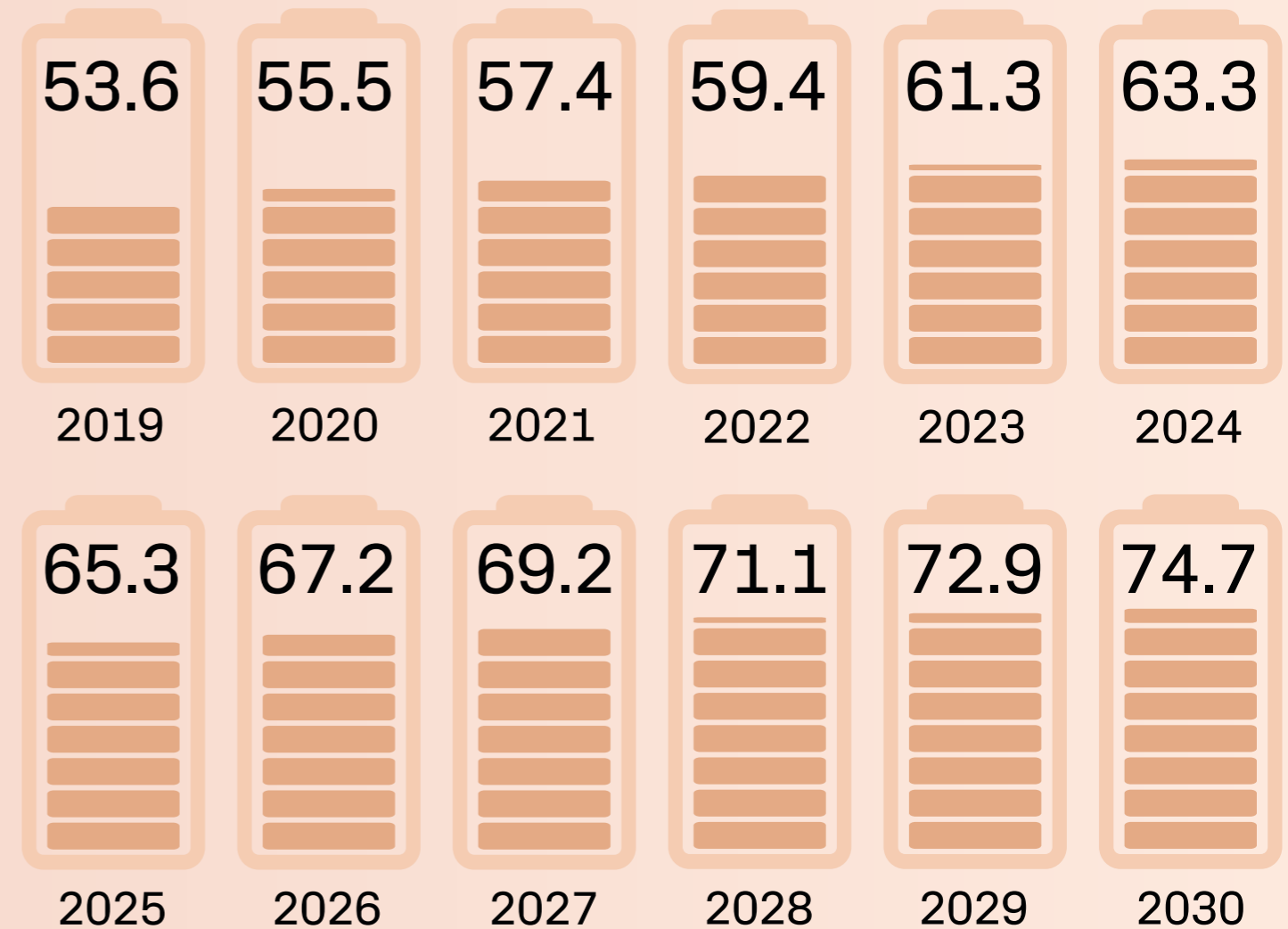
Today, e-waste from consumer electronics such as mobile phones or appliances like refrigerators is the fastest growing waste stream.⁴⁵ Despite this rapid growth, only about 20% of the total volume of e-waste is currently recycled. Not only does this pose environmental challenges, it also shows the level of inefficiency that is built into our economies and that hinders the reuse of resources. Furthermore, the COVID-19 pandemic exposed a lack of resilience in the global supply chain.⁴⁶

This raises the question of whether a competitive advantage could be gained by companies that adopt a circular approach to their operating model, whether by aiming to maximize the reuse of resources or through monetizing used goods by selling them to companies that can reuse them.

Urban mining, which aims to recover various kinds of metals from waste streams, delivers a number of benefits. Given that e-waste streams contain toxic heavy metals such as arsenic (As), cadmium (Cd), mercury (Hg), and lead (Pb), proper handling and recycling significantly reduces the related environmental pollution. New recovery methods seek to substantially reduce the energy needed in the process while increasing recoverable metals by up to 80%.⁴⁷ The potential to recover these high quantities of precious metals while at the same time protecting waterways and agricultural soils provides a solution to the ever-increasing demand for key materials.



Figure 11: Global e-waste generation by 2030 (in million tonnes)



Source Statista. 2021. Global e-waste generation outlook 2030

⁴⁷ Physics World. 2021. Urban mining gets quicker and cleaner.

⁴³ World Bank. 2020. What a Waste 2.0.

⁴⁴ World Bank. 2020. Trends in Solid Waste Management.

⁴⁵ Statista. 2021. Global E-Waste – Statistics & Facts.

⁴⁶ World Economic Forum. 2022. 7 leaders at Davos 2022 on securing sustainable, resilient supply chains, despite global shocks.

Case study: Asahi Holdings



ASAHI HOLDINGS



Founded	1952
Focus	Waste treatment and precious metal recycling
Headquarters	Kobe, Japan
Number of employees	1,457 (as of 31.03.2022)
Turnover	JPY 192.4 bn (as of 31.03.2022)

Asahi Holdings, Inc. is an urban mining company, collecting and recycling precious and rare metals from scrap, including dental, electronic, automotive, and jewelry materials. Asahi Holdings engages in environmental protection business and offers total solutions for treating industrial waste. Urban mining reduces greenhouse gas emissions in the manufacturing process, with a carbon intensity that is up to 90% lower than that of virgin metal mining operations.

The company's urban mining business includes e-scrap from electronic substrates used in personal computers, smartphones, and home appliances containing gold, silver, and palladium. Precious metals such as palladium and platinum are also mined from end-of-life catalytic converters, originally used in the automotive sector to detoxify harmful substances in exhaust gas. The company extracts the same precious metals, as well as gold and silver, from dental prostheses and jewelry.

Supporting the transition to a circular economy

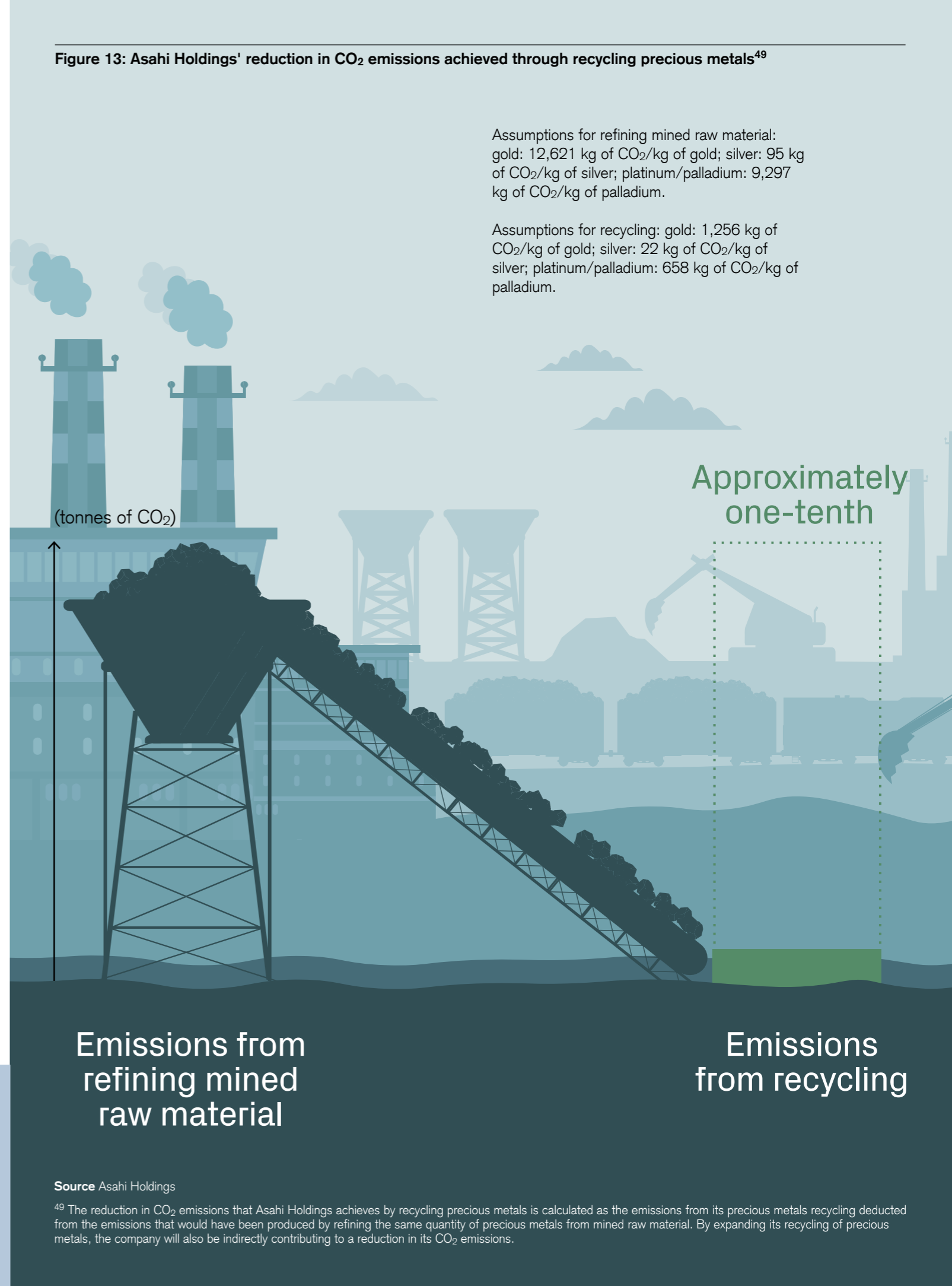
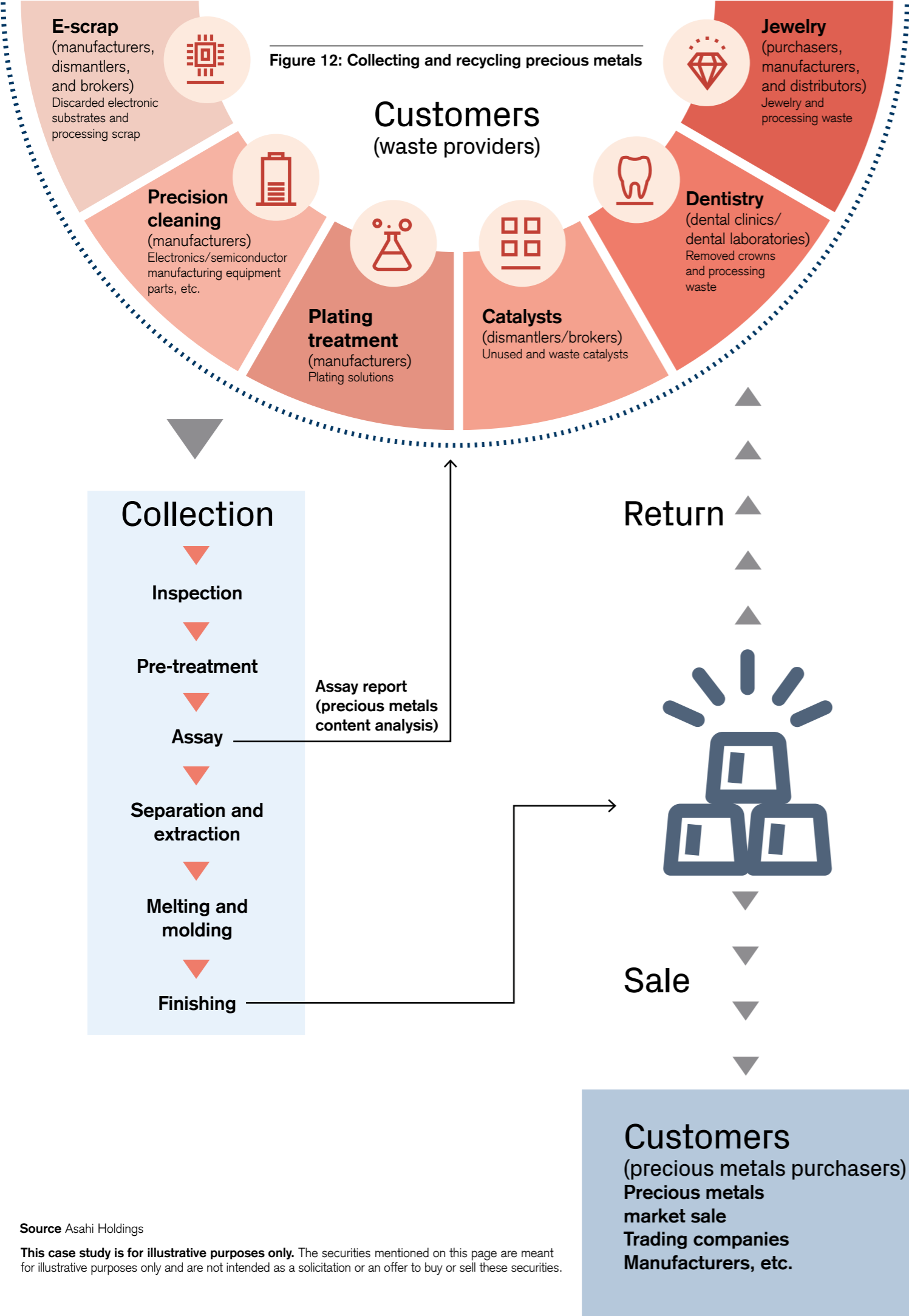
Asahi's precious metals recycling activity contributes to a circular economy by transforming valuable waste content into precious metal resources. Ongoing improvements to recycling technologies ensure that processes become more efficient, ultimately leading to a smaller environmental footprint. Over and above positive environmental steps, such as avoiding the depletion of precious metal resources and the environmental destruction involved in mining, recycling also mitigates social challenges such as human rights and labor issues related to mining. To avoid human rights violations in conflict zones, money laundering, and fraudulent transactions, Asahi has developed a responsible precious metals management system complying with international standards, which requires third-party certification and regular independent audits.

By the 2030 financial year, the company aims to achieve a total annual recycling capacity of 410 tonnes for gold, silver, platinum, and palladium. Given the significantly lower CO₂ emissions compared to mining and refining these four elements, Asahi estimates that it will achieve a reduction of 1,465 million tonnes of its CO₂ emissions.⁴⁸

⁴⁸ Asahi Annual Report 2021, page 29.

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Source Asahi Holdings

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4 Carbon reduction technologies



Sustainable transportation



Alternative power technology



Energy storage solutions



Pollution management

A bumpy road toward emissions reduction

In 2020, one of the impacts of the COVID-19 pandemic was a global fall in CO₂ emissions. Recognizing the temporary and unsustainable character of this emissions decrease, the International Energy Agency (IEA) called for a sustainable recovery that would allow for the decoupling of economic growth from emissions growth.⁵⁰ However, 2021 saw the largest year-on-year increase of energy-related CO₂ emissions in absolute terms, more than reversing the decrease registered one year earlier.⁵¹ Despite the ubiquity of emissions reduction concerns among policymakers and society in general, the coupling of 2021's economic rebound with the increase in emissions shows that there is still a long way to go before we reach a trajectory consistent with achieving global net zero emissions by 2050.

Investments in energy production and energy consumption

Decoupling emissions from economic growth will require significant changes in a wide array of sectors and industries. Accordingly, this implies that a successful strategy to reduce emissions should comprise a full ecosystem of solutions that complement one another. Despite the significant rise in emissions in 2021, crucial measures have been put in place by governments to enable the sustainable recovery advocated by the IEA. Sustainability-related measures can be divided into two broad groups: energy production and energy consumption.

Within energy production, as a response to the electrification trend, we see substantial growth in clean electricity investments. By 2023, government measures promoting low-carbon electricity imply an investment of USD 18 bn, with an additional USD 6.5 bn assigned to electricity network investment over the same period. On the consumption side, even more investment in low-carbon and efficient transport amounting to USD 53 bn, with a further USD 37 bn assigned to energy-efficient buildings and industry, is implied.⁵²

Electric vehicles on the rise

Considering its status as an influential contributor to achieving net zero, we highlight the role and potential of the transportation sector. Transportation was responsible for a quarter of the 2 Gt emissions increase registered in 2021;

however, it is still below the levels recorded in 2019.⁵² This reduction compared to 2019 is explained by the growth of electric vehicles, with 6.75 million units sold in 2021, representing 8.3% of global light vehicle sales and posting an impressive 108% growth compared to 2020.⁵³ As the EV penetration rate increases, not only does the CO₂ intensity of transportation decrease, but overall air quality improves. The WHO estimates 90% of people worldwide breathe polluted air, with a significant associated human cost.⁵⁴ Transportation pollution is of special relevance, as its concentration in urban areas matches that of the general population. The rapid expansion of electric vehicles signals a meaningful shift for the transportation sector, which is expected to generate a significant positive environmental impact.

⁵⁰ International Energy Agency. 2020. Put clean energy at the heart of stimulus plans to counter the coronavirus crisis.

⁵¹ International Energy Agency. 2022. Global Energy Review: CO₂ Emissions in 2021.

⁵² International Energy Agency. Tracking Sustainable Recoveries.

⁵³ EV Volumes. 2022. Global EV Sales for 2021.

⁵⁴ World Health Organization. 2018. 9 out of 10 people worldwide breathe polluted air, but more countries are taking action.

Case study: Ebusco



Founded	2012
Focus	Battery electric buses, batteries, and charging solutions
Headquarters	Deurne, Netherlands
Number of employees	340 (as of 31.12.2021)
Turnover	EUR 24.3 mn (as of 31.12.2021)

Founded in 2012, Ebusco is a developer, manufacturer, and distributor of zero-emission buses and charging systems as well as a supplier of ancillary products and services to the electric vehicle ecosystem. As a frontrunner in the development of electric buses, Ebusco contributes to better living conditions by driving the transition to zero-emission public transportation.

Ebusco is focused on delivering a full suite of solutions for the entire electric vehicle system: electric buses, energy storage systems, charging infrastructure, depots, service and maintenance, local energy supply, and grid alignment. As a pioneer in the electric bus market, Ebusco has supplied over 340 buses over the 2018–2021 period, with a combined mileage of 39 million km in 2021.⁵⁵ Assuming a CO₂ emission level of 1,085 g/km for an equivalent internal combustion engine bus,⁵⁶ in 2021 Ebusco's fleet saved 42.3 tonnes of CO₂ on a tank-to-wheel basis.



Source Ebusco

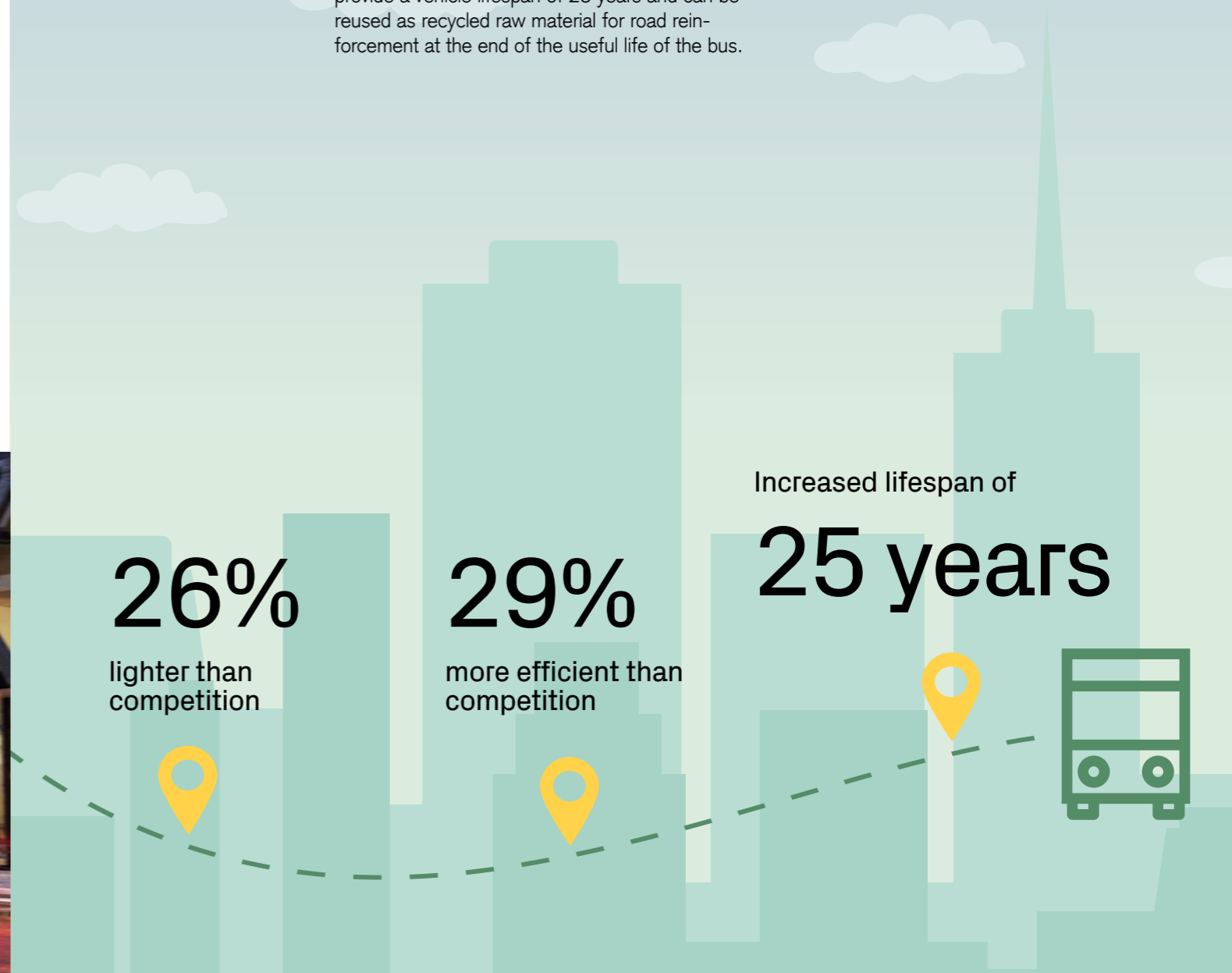
⁵⁵ Ebusco. 2022. Ebusco Annual Report 2021.

⁵⁶ www.tno.nl.

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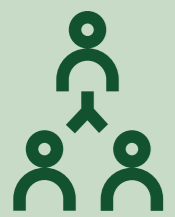
In the transportation sector, researchers and manufacturers continuously strive to optimize vehicle weight in order to lower consumption, thereby optimizing vehicle efficiency. Ebusco currently markets a lightweight vehicle using a proprietary composite material rooted in aerospace technology, allowing its buses to achieve longer ranges with the same underlying battery capacity. As well as its consumption-reduction ambitions, the company is also focused on the recyclability and reusability of its cobalt-free batteries to minimize lifecycle impact, boasting recyclability/reusability of 97%. As batteries lose capacity over time, Ebusco offers its clients the possibility to redeploy those batteries in energy storage applications. This focus on circularity extends beyond batteries. For example, the composite materials used in the Ebusco 3.0 provide a vehicle lifespan of 25 years and can be reused as recycled raw material for road reinforcement at the end of the useful life of the bus.

The need for a clean technology to replace internal combustion engines stems not only from the need to reduce CO₂ emissions, but it is part of a broader concern for air quality. In the EU, the human cost of air pollution is estimated to represent 380,000 premature deaths annually.⁵⁷ Diesel emissions alone are estimated to cause between EUR 67 and EUR 80 bn in healthcare costs.⁵⁸ Given the competitiveness of existing alternatives to internal combustion engines such as battery electric vehicles, changing consumer preferences, and regulatory trends, the transportation sector is facing a significant transformation.



⁵⁷ European Environment Agency. 2020. Air quality in Europe – 2020 report.

⁵⁸ European Public Health Alliance. 2018. Health impacts and costs of diesel emissions in the EU.



Engagement

Engagement

Active ownership creates possibilities to directly influence corporate decision-making in the interests of clients and sustainability.

Proxy voting and engagement, two components of active ownership, rank among the most important and effective tools at our disposal. Active ownership is about exercising voting rights in companies in which we hold shares on behalf of our clients through our investment funds. It is also about establishing and maintaining a dialogue with the senior leaders of those companies. Both avenues, be it through engagement in resolutions at annual shareholder meetings or in direct contact with corporate decision makers, enable us to exert a direct influence.

It is also our belief that a higher level of company disclosure is crucial, and not only to improve the comparability of companies. It will also incentivize management teams to proactively steer away from unsustainable business activities and promote accountability within their organization. Therefore, we devoted a substantial part of our engagement activities in the past year to encourage and even request more detailed information from companies about the environmental performance generated by their products and services.

For more information on our active ownership activities, please visit our Active Ownership website.



Summary of our engagement activities

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

Company	Company focus	Engagement
Company 1	Leading enabler of electrification and energy efficiency across the automotive, industrial, and high-end consumer markets	We continued our dialogue with this company regarding environmental impact metrics. The company is a supplier of key components to various industries such as sustainable transportation, solar and wind electricity generation, and the overall electrification trend. The impact measures discussed were well received by the company and will be considered in future sustainability reports.
Company 2	Provider of energy-efficient insulation and building materials	An assessment of the ESG profile of the company was initiated in collaboration with the Credit Suisse Asset Management ESG team. Specifically, we assessed the potential impact of a significant controversy and, in a related topic, assessed the potential governance implications of the company's product testing and development process. As this dialogue did not progress according to our expectations, we have divested from the company.
Company 3	Manufacturer of consumer packaging products	We engaged with this company to discuss impact metrics that were mentioned in their sustainability report and to learn more about the share of recycled plastic and natural fiber in the raw materials the company uses.
Company 4	Manufacturer of electronic and automation measuring instruments	We established a dialogue with the company to discuss the possibility of the company enhancing its sustainability disclosures by including the positive environmental impact its products generate. We provided an ESG questionnaire to the company to complement the disclosures available in its sustainability report.
Company 5	Manufacturer of composite wind blades for the wind energy market and composite vehicle structures	We initiated a dialogue with the company to discuss some of the impact metrics reported and to specifically discuss the end-of-life recyclability of the products that the company manufactures. We followed up with the company's sustainability team and provided input into its periodic materiality reassessment.
Company 6	One of the world's largest salmon farmers with 100% ASC-certified sites in its home market	We met with the company's management and discussed various sustainability-related topics with a special emphasis on biodiversity. In addition, within the scope of a larger biodiversity initiative of Credit Suisse Asset Management and an external party, the company is taking part in a collaborative engagement exercise.
Company 7	One of the world's leading seafood companies and largest Atlantic salmon farmer globally	Within the scope of a larger biodiversity initiative of Credit Suisse Asset Management and an external party, the company is taking part in a collaborative engagement exercise addressing the sustainability profile of salmon farming activities.
Company 8	Manufacturer of packaging and paper products	We engaged with this company to discuss impact metrics that were mentioned in its sustainability report and to learn more about its efforts to improve the recyclability of its products.
Company 9	Installer of insulation and a variety of complementary building products	We had a dialogue with the company to discuss the sustainability metrics that it has already disclosed and to assess the possibility of further disclosures. In addition, we have also shared questions regarding the company's sustainability approach, reporting, and climate transition strategy.
Company 10	Supplier of electrical and thermal connection and protection solutions	We initiated a dialogue with the company to discuss its sustainability disclosures and to better understand the clean technology applications for which its products are used. After the discussion, we followed up with several questions on the company's climate transition strategy, eco-friendly framework, and alignment with UN Sustainable Development Goals.
Company 11	Pure-play electric bus manufacturer that also offers storage solutions and charging stations for fleets	In collaboration with the Credit Suisse Asset Management ESG team, we shared an ESG questionnaire with the company. We followed up on the answers provided with a meeting at which we discussed the company's approach to sustainability as well as its upcoming sustainability report. The company is currently working on its materiality assessment, for which we are providing input.

Upcoming developments: engagement on biodiversity issues

As part of our overall thematic engagement in 2022, led by the Credit Suisse Asset Management Active Ownership team, we will be adding biodiversity as a new environmental engagement topic. In this edition of the Environmental Impact strategy's impact and engagement report, we will make an initial assessment of the relevance of biodiversity as well as the status quo.

The world is facing species extinction at an unprecedented rate. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) has reviewed 15,000 sources to arrive at this conclusion. But what does this rather abstract message mean? To present the situation in terms of animals and plants, it means that 1,000,000 species are threatened with extinction.⁵⁹ Extinction rates are estimated to significantly exceed the baseline extinction rate⁶⁰ over the past tens of millions of years (0.1–1 per million species per year (E/MSY)). This means that, currently, several hundred more species are at risk of extinction than under normal circumstances.⁶¹

The current discussion about biodiversity and species extinction seems to mirror the climate change discussion of the early 2000s: the problem is often seen as complex, diffuse, and difficult to measure. Scientific findings can serve as a starting point for companies to analyze their exposure to drivers of biodiversity loss. The IPBES defines five primary drivers of biodiversity loss:

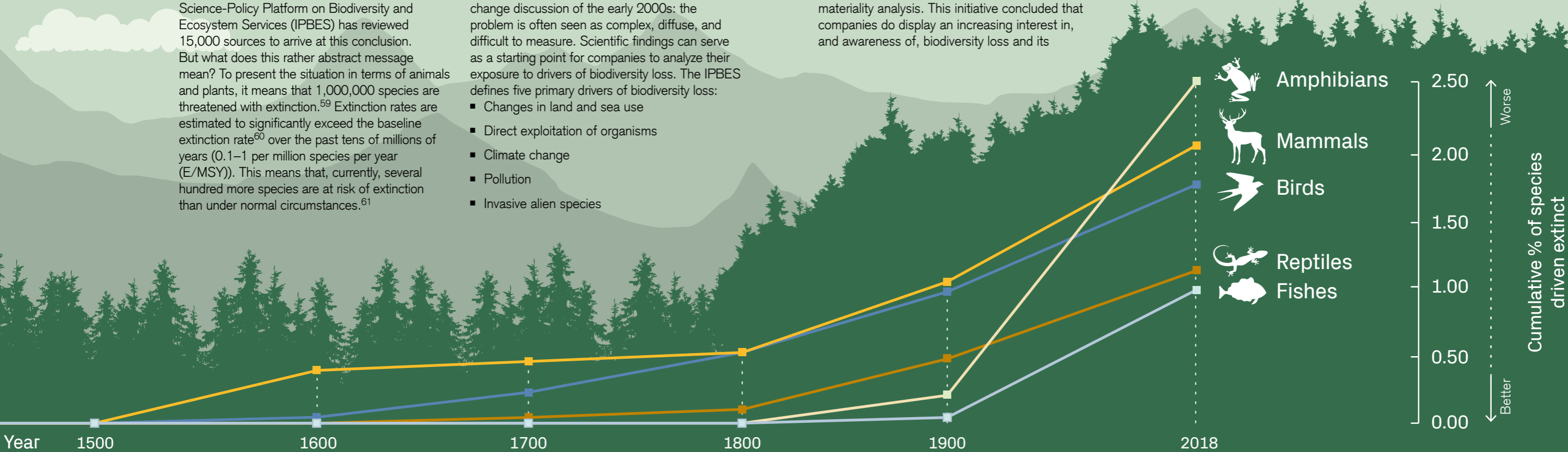
- Changes in land and sea use
- Direct exploitation of organisms
- Climate change
- Pollution
- Invasive alien species

The key reason behind the loss of biodiversity, common to all five drivers, is economic activity.⁶² Changes in land use, for example, can occur through deforestation to produce pulp and paper, to satisfy the increasing need for farmland, or to make room for a palm oil plantation. Another main driver on the list – climate change – is starting to receive the necessary attention required to solve this systemic problem.

The United Nations General Assembly proclaimed 2021–2030 the United Nations Decade on Ecosystem Restoration,⁶³ which underscores the need for a holistic and systematic approach to biodiversity loss. Given the importance and increasing urgency of the topic, the ESG team at Credit Suisse Asset Management started a biodiversity engagement pilot aiming to explore how portfolio companies address biodiversity risk through impact and dependencies in their materiality analysis. This initiative concluded that companies do display an increasing interest in, and awareness of, biodiversity loss and its

materiality to existing business models. Critically, the initiative also concluded that the interconnectedness of biodiversity with many other current challenges, such as climate change, adds both complexity and urgency to the topic. The interconnectedness of biodiversity loss and extinction with these global challenges needs to form the basis of companies' risk analyses.

Over the next reporting period, we will be looking more closely into the relationship between businesses and biodiversity. We will focus on how private companies can also lead the way by being part of the solution. The aim of our engagement is to encourage our investee companies to adapt biodiversity measures, to highlight the effects of biodiversity loss and raise biodiversity awareness, and to help them highlight areas for improvement, to name just a few.



Cumulative vertebrate species recorded as extinct or extinct in the wild by the IUCN (2012)

⁵⁹ IPBES secretariat. 2019. Media Release: Nature's Dangerous Decline "Unprecedented"; Species Extinction Rates "Accelerating".
⁶⁰ The baseline extinction rate, also referred to as a background extinction rate, is estimated at 0.1–1 species per every one million species per year.
⁶¹ United Kingdom. HM Treasury. 2021. Final Report – The Economics of Biodiversity: The Dasgupta Review.

⁶² For a case study, see Routledge. 2016. The Business of Bees: An Integrated Approach to Bee Decline and Corpor.
⁶³ UN Decade on Ecosystem Restoration (2021–2030)

Conclusion

The European energy crisis might turn out to be the key catalyst that finally accelerates the meaningful transformation of global energy markets. As it stimulates significant demand for clean technologies to substitute fossil fuels, scale effects in battery storage and hydrogen production should further improve the price competitiveness of these solutions. More recent regulatory framework changes have prepared the field for innovative companies to capitalize on the substantial market opportunity that lies ahead. With the need to fight climate change and at the same time urgently ensure energy security, two powerful forces are driving demand for products and services that have a positive environmental impact.



Appendix

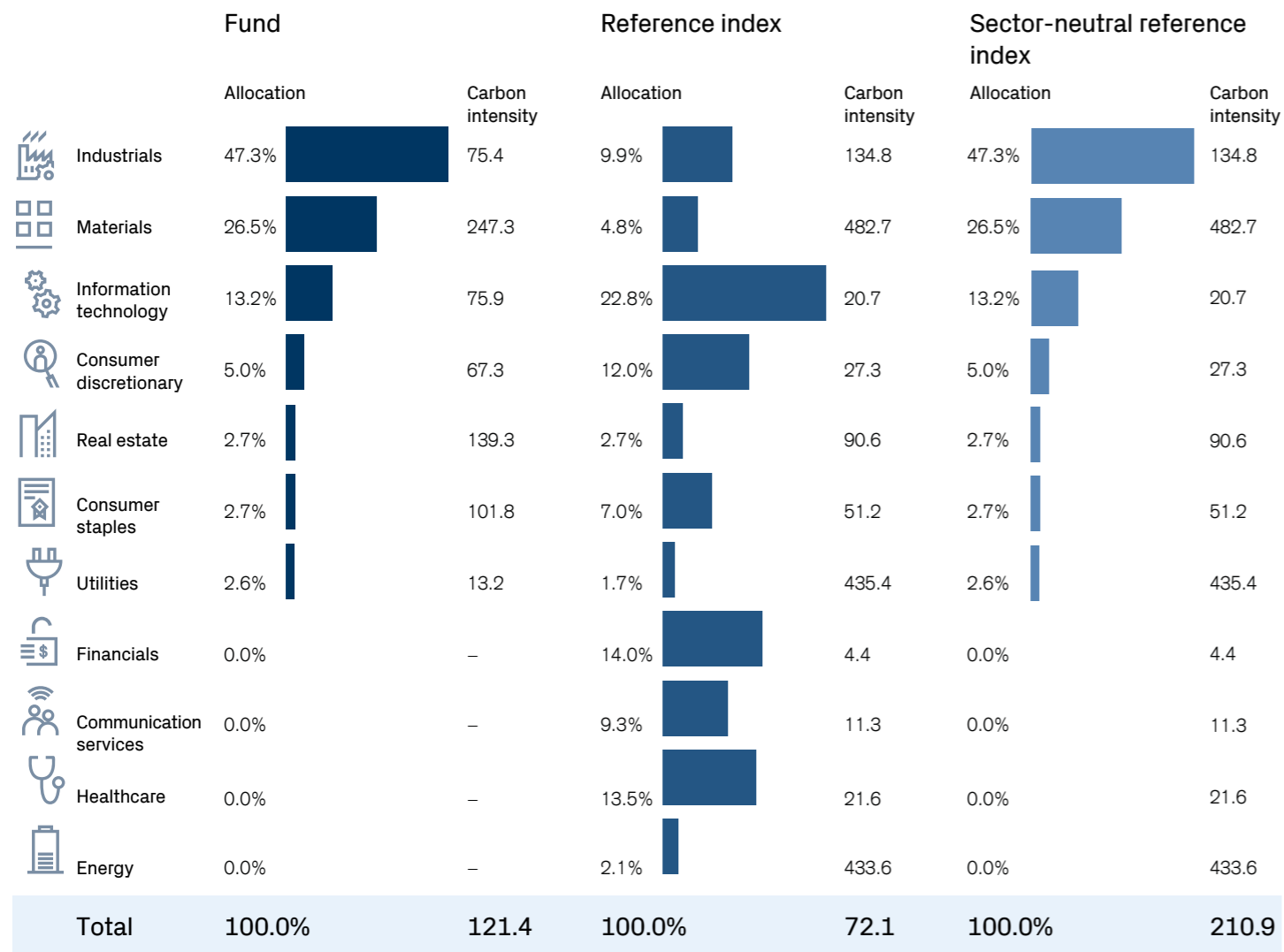
I. Emissions intensity

The emissions intensity of a portfolio is measured as a ratio of a company's CO₂ emissions in tonnes and its respective sales in millions of US dollars. Over more than a century, economic growth and carbon emissions have gone hand in hand due to an energy supply based on fossil fuels. In a net zero world, and therefore through a transition to a low-carbon economy, economic growth and carbon emissions must be dissociated, creating the conditions to maintain economic prosperity while reducing anthropogenic emissions. The Credit Suisse (Lux) Environmental Impact Equity Fund seeks to invest in companies whose products and services enable a positive environmental impact. We believe that these companies should be able to deliver such products and services in the most environmentally friendly manner possible.

We monitor the fund's emissions intensity and compare it with the reference index, MSCI World ESG Leaders. However, we note that the difference in sector allocation between the fund and the reference index leads to a bias in the fund's overall carbon intensity. The Credit Suisse (Lux) Environmental Impact Equity Fund has a sector allocation geared toward industrials and materials, while the reference index is geared toward the IT, healthcare, and financial sectors. Given the higher carbon intensity of the sectors in which the fund invests, we provide the underlying carbon intensity on a sector basis (as per the Global Industry Classification Standard) and a "sector-neutral allocation" of the benchmark to enhance the comparability between the fund and the reference index:

- a. For both the fund – the Credit Suisse (Lux) Environmental Impact Equity Fund – and the reference index – MSCI World ESG Leaders – we aggregate carbon intensity on a GICS-based sector level. This aggregation uses the average weight of each stock in the period and the corresponding carbon intensity as per MSCI.
- b. The following definitions are used:
 - i. Carbon intensity is measured in tonnes of CO₂ per USD mn of sales. CO₂ emissions correspond to the company's most recently reported or estimated Scope 1 and Scope 2 greenhouse gas emissions normalized by the corresponding sales in USD, sourced from MSCI.
 - ii. Due to different reporting schedules on each company, the carbon intensity figures reported by MSCI refer in large part to fiscal year 2020. Nearly 90% of the data referring to the fund and reference index is of 2020.
 - iii. Given that carbon intensity is affected by sales, the carbon intensity reported by MSCI may be volatile on a year-by-year basis.
- c. We show the underlying carbon intensity for each sector as well as the corresponding allocation in the fund and reference index. The total figure for the fund and the reference index represents the product of carbon intensity and each security average weight in the period.
- d. Finally, we provide a "sector-neutral carbon intensity" for the reference index where we take the underlying carbon intensity of each sector in the reference index and apply the sector allocation of the fund, thus neutralizing the sectoral differences between the fund and the reference index.

Figure 14: Emissions intensity of the fund by sectoral exposure



Source MSCI

II. Alignment with UN SDGs

Given the strategy's focus on companies whose products and services are geared toward helping solve the most pressing environmental and climate issues, alignment with UN SDGs is measured on a product level. With the availability and accuracy of SDG data still improving, SDG operational alignment data (another dimension of the MSCI's SDG alignment methodology⁶⁴) is not considered in the UN SDG alignment shown in this report.

The alignment with the UN's selected SDGs, as shown on page 27, is based on the following premises:

The chart shows the net product alignment of the portfolio and benchmark weights with a corresponding UN SDG as of June 30, 2022, based on MSCI ESG's SDG product alignment ratings. SDG product alignment can be either "strongly aligned," "aligned," "neutral," "misaligned," or "strongly misaligned." To determine net product alignment with a given UN SDG, only portfolio and benchmark weights allocated to companies with "strongly aligned," "aligned," "misaligned," and "strongly misaligned" ratings are considered. Companies with "strongly aligned" and "aligned" ratings offer a positive exposure, whereas companies with "misaligned" and "strongly misaligned" ratings are synonymous with a negative exposure. The net product alignment is calculated by adding up both parts. As a result, it can be positive or negative.

⁶⁴ For more information about the UN SDG alignment methodology, please refer to MSCI SDG Alignment Tool. Further information can be found at [msci.com/our-solutions/esg-investing/impact-solutions](https://www.msci.com/our-solutions/esg-investing/impact-solutions).

III. Controversy scores

The controversy scores are sourced from MSCI. The evaluation framework used to determine ESG controversies is designed to be consistent with international norms represented in numerous widely accepted global conventions, including the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact.

MSCI ESG Research analysts investigate and assess controversies involving the impact of company operations, governance practices, and/or products and services that allegedly violate national or international laws, regulations, and/or commonly accepted global norms.

The ESG Controversies analytical framework organizes ESG controversies within the three pillars of environmental, social, and governance, with the social pillar further divided into three sub-pillars representing different stakeholder groups. Each sub-pillar consists of a set of key performance indicators.

We collect the overall MSCI ESG controversy score for each of the portfolio and reference index companies and aggregate individual scores using the average weight of each stock over the period.

For more details on the MSCI ESG controversy framework, please visit www.msci.com.

IV. Impact data

The Credit Suisse (Lux) Environmental Impact Equity Fund's portfolio companies conduct their businesses in a manner that adheres to environmental, social, and governance (ESG) standards. However, the thesis underpinning our investment strategy is primarily concerned with the environmental benefits that the companies' output provides to customers and society. That is why the impact metrics detailed in this report (see the table below) focus on the outcomes directly attributable to the companies' products and services, and not on the effects of their otherwise responsible business practices or charitable contributions.

While secondary markets do provide an important avenue for exit by private companies, we do not claim that buying shares in publicly listed companies automatically creates additional impact. Nevertheless, the table below provides examples of positive environmental outcomes generated by our investee companies.

KPIs – quantitative data

Company	Emissions avoided (t CO ₂)	Energy saved (MWh)	Renewable energy produced (MWh)	Drinking water supplied (m ³)	Wastewater treated (m ³)	Water saved (l)	Waste avoided (tonnes)	Waste collected/ recycled (tonnes)	Trees planted	Source
KINGSPAN GROUP PLC	193,000,000	–	–	–	–	20,600,000	–	8,430	–	Planet Passionate Report – 2021
NIBE INDUSTRIER AB–B SHS	320,000	–	–	–	–	–	–	–	–	Annual Report 2021
UPONOR OYJ	–	–	–	–	–	–	–	15,900	–	2021 Sustainability Review
SWITCH INC – A	360,641	–	–	–	–	–	–	268	–	Switch ESG Report 2021
ALFA LAVAL AB	25,000,000	29,051,800	–	–	–	–	–	–	–	Alfa Laval Annual Report 2021 Alfa Laval Energy Efficiency
PENTAIR PLC	7,480,000	932,000	–	1,445,400	–	–	–	–	–	Pentair Corporate Responsibility Report 2021
ACUITY BRANDS INC	–	15,000,000	–	–	–	–	–	–	–	Acuity Brands EarthLight Report 2021
ITRON INC	3,500,000	–	–	–	–	n.a.	–	2	–	Itron ESG Report 2021
ECOLAB INC	3,600,000	–	–	–	1,080,000	813,863,150,000	–	–	–	Ecolab Sustainability Progress Report 2021
KURITA WATER INDUSTRIES LTD	294,000	–	–	–	–	99,000,000,000	274,000	–	–	The Kurita Group – Sustainability Report 2021
XYLEM INC	730,000	–	–	–	3,010,000,000	440,000,000,000	–	–	–	Xylem Sustainability Report 2021
CHR HANSEN HOLDING A/S	–	–	–	–	–	–	900,000	–	–	Christian Hansen Sustainability Roadshow Presentation 2021/2022
NOVOZYMES A/S–B SHARES	60,000,000	23,055	–	–	6,610	–	–	–	–	The Novozymes Report 2021
METSO OUTOTEC OYJ	10,300,000	–	–	–	–	–	–	–	–	Metso Outotec Business Overview 2021
SVENSKA CELLULOSA AB SCA–B	5,400,000	–	12,100,000	–	–	–	–	–	112,000,000	Svenska Cellulosa – Annual and Sustainability Report 2021
CANFOR CORP	6,729,257	–	912,266	–	–	–	–	–	54,000,000	Canfor Sustainability Report 2021
WEYERHAEUSER CO	32,000,000	–	–	–	–	–	–	–	150,000,000	Weyerhaeuser Annual Report 2021
VOLTRONIC POWER TECHNOLOGY	420,000	1,161	–	–	–	–	–	4,409	–	Voltronic Power Sustainability Report 2020
INNERGEX RENEWABLE ENERGY	6,982,908	–	9,853,000	–	–	–	–	–	–	Innervex Sustainability Report 2021
ORMAT TECHNOLOGIES INC	7,400,000	–	6,043,993	–	–	–	–	–	–	Ormat Sustainability Report 2020
MOWI ASA	1,900,000	745	–	–	–	–	–	–	–	Mowi Annual Report 2021
BAKKAFROST P/F	–	–	12,945	–	–	–	–	–	–	Bakkafrost Sustainability Report 2021
FIRST SOLAR INC	21,000,000	–	6,750	–	–	–	–	36,512	–	First Solar Sustainability Report 2021
SUNPOWER CORP	14,000,000	–	812	–	–	–	–	–	–	Sunpower ESG Report 2021
VESTAS WIND SYSTEMS A/S	210,000,000	–	45,300	–	–	–	–	35,000	–	Vestas Sustainability Report 2021
SIEMENS GAMESA RENEWABLE ENE	38,000,000	–	35,310	–	–	–	–	–	–	Siemens Gamesa Annual Report 2021
TPI COMPOSITES INC	–	–	–	–	–	–	–	17,230	–	TPI Composites ESG Report 2021
NORDEX	58,900,000	–	11,640	–	–	–	–	338	–	Nordex Sustainability Report 2021
KONINKLIJKE DSM NV	–	–	–	–	–	–	–	195,000	–	DSM Integrated Annual Report 2021
BRAMBLES LTD	2,547,323	–	–	–	–	3,160,000,000	1,400,000	–	3,245,613	Brambles Sustainability Review 2021
VALMET OYJ	–	–	–	–	–	–	–	34,800	–	Valmet Annual Report 2021
MONDI PLC	162,000	–	–	–	238,100,000	300,000,000	–	754,237 (packaging material)	22,807,040	Mondi Sustainable Development Report 2021
DS SMITH PLC	–	–	–	–	–	–	–	5,693,400	–	DS Smith Annual Report 2021
GRAPHIC PACKAGING HOLDING CO	–	–	–	–	–	1,135,623,535	–	–	–	Graphic Packaging ESG Report 2021
HUHTAMAKI OYJ	–	–	–	–	–	–	–	147,100	–	Huhtamaki Annual Report 2021
BILLERUDKORSNAS AB	5,400,000	–	–	–	–	–	–	–	–	Billerudkorsnas Annual and Sustainability Report 2021
TOMRA SYSTEMS ASA	19,440,000	–	–	–	–	–	–	–	–	Tomra Annual and Corporate Sustainability Report 2021
UMICORE	–	–	–	–	–	–	–	79	–	Umicore Integrated Annual Report 2021
WASTE MANAGEMENT INC	52,720,000	–	–	–	–	–	–	15,337,456	–	Waste Management Sustainability Report 2022
JOHNSON MATTHEY PLC	489,000	–	–	–	–	–	–	–	–	Johnson Matthey Annual Report 2021
INGEVITY CORP	–	–	–	–	–	–	–	120	–	Ingevity Sustainability Report
HEXAGON COMPOSITES ASA	1,150,000	–	–	–	–	–	–	–	–	Hexagon Composites Sustainability Report 2021
ALFEN NV	2,200,000	–	–	–	–	–	–	–	–	Alfen Annual Report 2021
WARTSILA OYJ ABP	–	–	–	–	36,177	–	–	–	–	Wartsila Annual Report 2021
SOLAREEDGE	4,750,000	–	22,400	–	–	–	–	–	–	Sustainability Report 2020
BALLARD POWER SYSTEMS INC	530,000	–	–	–	–	–	–	–	–	Ballard ESG Report 2021
CREE INC / Wolfspeed	125,000,000	327,000	–	–	–	–	–	–	–	Wolfspeed Sustainability Report 2021

For illustrative purposes only. The fund's reporting period: June 2021 to June 2022 shows data extracted from the portfolio companies' reports for their respective reference periods. Please note that the above table shows data reported directly by portfolio companies based on core business activities. Credit Suisse Asset Management is not responsible for the calculation of the data and cannot verify the validity nor ensure comprehensiveness of data reported by portfolio companies. Key performance indicator (KPI) – a quantifiable measure used to reflect progress in relation to a specified objective. Disclosed KPIs have been selected by Credit Suisse Asset Management based on the fund investment strategy as relevant sustainability indicators.

Imprint

Risks

- The fund does not offer capital protection: investors may lose part or all of their investment in this product.
- Political developments concerning environmental regulations may have a significant, adverse impact on the underlying investable universe.
- Exposure to small- and mid-cap companies may result in elevated short-term volatility and may carry liquidity risk.
- An elevated concentration in specific sectors or industry dynamics may fall out of investor favor at certain points in time.
- Heightened exposure to less regulated sectors and to businesses such as renewable resources that are not yet well established could cause temporary volatility and may carry liquidity risk.
- Exposure to emerging markets may increase volatility. Investing in emerging markets involves a greater degree of risk than investing in developed markets. Emerging-market risks are characterized by a certain degree of political instability, relatively unpredictable financial markets and economic growth patterns, a financial market that is still at the developmental stage, and a weak economy.
- It is possible that the data from the ESG data providers may be incorrect, unavailable, or not immediately updated, and therefore may experience some time lag.

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