



Active ownership report 2021

Contents

01

Our approach



02 — Proxy voting



Engagement

03



04

Outlook



Contents	03	Engagement	24
Foreword	04	3.1 Overview of our activities	25
Introduction	06	3.2 Thematic engagement	28
Our approach	08	3.2.1 Environment	30
1.1 Active ownership is a core concern	08	3.2.2 Social	44
1.2 Integration of ESG factors into the investment process	09	3.2.3 Governance	56
Proxy voting	12	3.3 Individual engagements	62
2.1 Proxy voting by country and sector	14	3.4 Engagement in relation to proxy voting	62
2.2 Elections	16	3.5 Public policy engagement	63
2.2.1 Election of members of the board of directors	16	3.6 Companies we engaged with in 2021	64
2.2.2 Election of committee members	17		
2.3 Compensation	18	Outlook	66
2.3.1 Compensation reports	18	4.1 Proxy voting	67
2.3.2 Compensation frameworks	20	4.2 Thematic engagement	68
2.3.3 Board of directors compensation	20	4.2.1 Environment	68
2.3.4 Executive board compensation	21	4.2.2 Social	68
2.4 Capital measures	22	4.2.3 Governance	68
2.5 Amendments to articles of incorporation	22	4.3 Public policy engagement	69
2.6 Credit Suisse Asset Management CH & EMEA Proxy Voting Committee	22	4.4 ESG integration	69
2.7 Shareholder proposals	23	Imprint	70

Foreword

Climate change, biodiversity loss, the COVID-19 crisis – 2021 was another immensely challenging year in which sustainability topics were high on the agenda of society, and for good reason.

As a society, it is vital for us to take action and prevent further global warming, to manage the energy transition in an equitable way, to protect our precious biodiversity, and to further improve equality and diversity around the world. These topics have an enormous impact on society and can also have a material impact on the businesses we invest in for our clients. It is therefore imperative that we continue to take action to serve both our clients and society in the best way we can.

We believe that asset managers, such as Credit Suisse Asset Management, are in an excellent position to help drive positive change and contribute to making the world a better place. We are convinced that taking environmental, social, and governance (ESG) aspects into account should be an integral part of the investment process since it helps investors make better-informed investment decisions. In addition, exercising voting rights in the best interests of our clients and engaging with companies are both powerful tools to help steer companies and society toward a more sustainable future.

Sustainability is of strategic importance at Credit Suisse Asset Management. In 2021, we invested heavily in expanding our team to enable us to make a bigger impact, be it through our capital allocation decisions, our engagement practices, or voting activities. To further strengthen and accelerate our impact, we also continued our collaborative activities through platforms such as Climate Action 100+ and the International Corporate Governance Network (ICGN). We will further accelerate our sustainability efforts in the coming years, focusing on the objective of creating a win-win for our society, the planet, and our clients.

In this active ownership report, we highlight some shining examples of our efforts in 2021 and the impact we were able to make through our engagement activities and voting practices. In addition, this report should help further increase transparency about our approach, our initiatives, our accomplishments, and our learnings.

I am proud that I joined such a passionate and thoughtful team in January 2022, and I am impressed by what it, together with our investment professionals, achieved in the voting and engagement area in 2021. The Credit Suisse Asset Management team and I are very much looking forward to expanding and accelerating our impact in 2022 and beyond, pushing forward toward a more sustainable future.

Jeroen Bos
Global Head of
Sustainable Investing,
Credit Suisse
Asset Management



Introduction

Credit Suisse Asset Management is one of the four divisions of Credit Suisse Group and manages assets of CHF 477 billion worldwide.¹ We offer a broad range of fund solutions that pursue traditional and alternative investment approaches backed by proven expertise.

Investing sustainably is a key priority for us. We are convinced that a sustainable, long-term investment approach can enhance returns. At the same time, we are committed to making a relevant contribution to the necessary global shift toward sustainability. We therefore offer a rapidly growing number of actively and passively managed investment funds that accord with the Credit Suisse Sustainable Investment Framework or replicate a sustainable index.² In doing so, we pursue differing approaches in which environmental, social, and governance (ESG) criteria are taken into account at various stages of the investment process. Our defined goal is to become one of the leading providers of sustainable investment solutions.

Active ownership is the second main pillar of our sustainability efforts. Acquiring a share in a given company confers on the shareholder the right to participate in corporate decisions. At Credit Suisse Asset Management, we consider it our responsibility to exercise these ownership rights in accordance with our sustainability criteria and thereby generate sustainable added value.

We expanded our team in 2021, underscoring our commitment to active ownership. We aim to further expand and deepen our expertise to add value through sustainable investing in equities and fixed-income securities, with a focus on proxy voting and engagement. Last year, we more than doubled the number of voting rights we exercised compared with the previous year.

During proxy voting, all votes are reviewed by our team to ensure compliance with our voting policy. We closely analyze problematic issues or events if they are inconsistent with the norms, values, or behaviors set out in the Credit Suisse Sustainable Investment Framework³, or if they may pose an ESG risk to us or may have a negative impact on future performance. In the event of ESG-related problems, we seek contact with the companies concerned. If the problems are serious, systematic, or cross-sectoral, we agree on targets and a time frame (engagement) to work together on targeted improvements.

The past two years have shown how important and valuable this dialogue is for assessing a company. Many of the companies in which we invest were affected to varying degrees by the COVID-19 pandemic, whether due to disrupted demand for their products and services or negative impacts on their supply chains. We had to put these influences and challenges into perspective to ensure our joint, long-term success.

This report provides insight into our active ownership activities in 2021 and highlights the goals we have set for ourselves for 2022. We hope you find it an insightful read. Feedback or questions are welcome at any time.

Dominik Scheck
Head of ESG



Stephan R. Scharrer
Head of Active Ownership

Jacqueline Oh
ESG Director



Dr. Christoph Biehl
Senior Active Ownership Analyst

Emma Farrell
Active Ownership Analyst



¹ As of December 31, 2021.

² Detailed information on sustainable investments is available at [credit-suisse.com/am/esg](https://www.credit-suisse.com/am/esg). Further information on our Sustainable Investing Policy can be found at [credit-suisse.com/esg](https://www.credit-suisse.com/esg).

³ <https://www.credit-suisse.com/media/assets/microsite/docs/responsibleinvesting/sustainable-investment-framework.pdf>

Our approach

Sustainable investing has gained massively in importance in recent years in light of the seriousness of environmental and social crises. Consideration of sustainability criteria is no longer just “nice to have” – private and institutional investors are increasingly beginning to understand its significance. We welcome and support this development. In 2019, we decided to focus a large part of our actively managed investment funds on sustainability. Since then, we have pursued this turnaround as a matter of priority.

To us, greater sustainability means not only defining clear and comprehensible exclusion criteria, but also increasingly integrating ESG criteria into our investment process and creating transparency through classification and reporting. As already mentioned in the introduction, we analyze problematic issues and events that contradict our norms, values, and behaviors as defined in the Credit Suisse Sustainable Investment Framework in greater detail. During this process,

it is important to us to understand to what extent these represent an ESG risk for us or may have a negative impact on future performance. By taking these sustainability risks and opportunities into account, our goal is to optimize investment decisions for our customers in the long term.

1.1 Active ownership is a core concern

We consider active ownership to be a crucial pillar of our sustainability efforts. For this reason, we decided at the beginning of 2021 to establish a dedicated Active Ownership team headed by Stephan R. Scharrer. Active ownership opens up possibilities to influence decisions at the corporate level in the interests of sustainability. It is important to us to prioritize sustainability-related topics when engaging in a dialogue with investee companies. An important aspect of this is proxy voting at general meetings. We publish our voting behavior on our [website](#) so that stakeholders have the opportunity to track how we vote. Last year, we more than doubled the number of companies at whose general shareholder meetings we voted compared with the previous year.

In addition to exercising voting rights, it is becoming increasingly important to conduct a dialogue and engage with companies on sustainability issues. The dialogue, based on our stock and bond investments, allows us to gain important information about issues or incidents in this regard, as well as to share best practices. If there are serious systematic or cross-industry ESG problems, we agree on targets and a time frame (engagement) to work with the companies on achieving targeted improvements. Our aim is to constructively influence decision-makers and to emphasize the importance of sustainability for the further development of the business strategy.

In 2021, we were able to advance the pilot phases of our projects launched in the previous year as part of our commitment to this matter and to take up another important, high-profile issue, namely the loss of biodiversity. Details on this and further information on our active ownership activities can be found in sections 2 (Proxy voting) and 3 (Engagement) of this report.

1.2 Integration of ESG factors into the investment process

ESG integration at Credit Suisse Asset Management means explicitly and systematically incorporating ESG factors into investment analysis and the investment decision-making process. For Credit Suisse Asset Management, integrating ESG considerations creates an opportunity to make better-informed investment decisions by accessing a wide set of non-financial information.

Internal and external sources of information

Insights gained from Credit Suisse Asset Management’s active ownership activities, combined with ESG data obtained from other sources, are important inputs enabling our sustainable strategies to assess sustainability-related risks, opportunities, and potentially adverse sustainability impacts of ESG factors on investment portfolios. And vice versa: insights concerning ESG-related risks and opportunities gained through ESG integration can trigger active ownership engagement activities by Credit Suisse Asset Management.

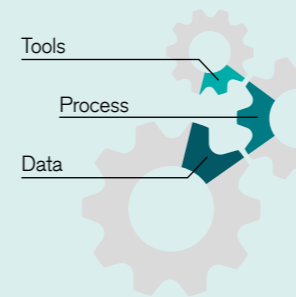
Due to the symbiosis between the two sustainable investment approaches, strengthening our ESG Integration framework is expected to have beneficial effects on our Active Ownership Framework.

Further strengthening our ESG Integration framework

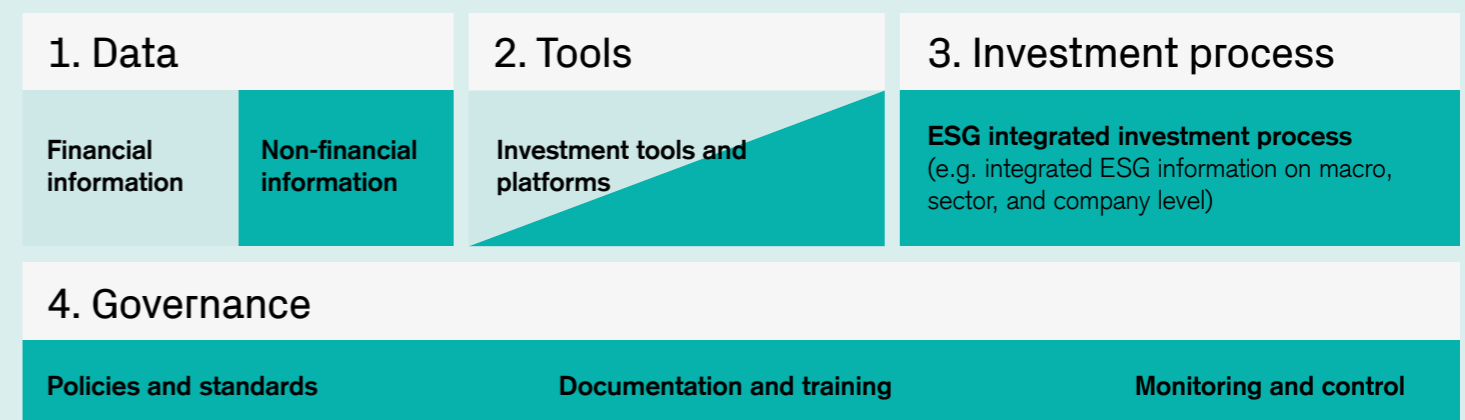
With the emergence of more advanced technologies and tools to capture and process large amounts of ESG data, integrating ESG factors into an investment process has become the most popular sustainable investing strategy in Switzerland and worldwide.⁴

While several of our sustainable strategies had already been integrating ESG considerations for years, the majority of the sustainable equity, fixed-income, multi-asset-class, and real estate investment products managed by Credit Suisse Asset Management adopted this approach over the past two years. These investment products apply norms-, values-, and business-conduct-based exclusions, integrate ESG factors, and use active ownership tools in accordance with our Sustainable Investing Policy.

While expanding our ESG product offerings, we at Credit Suisse Asset Management have focused on further strengthening the framework and its main pillars that facilitate successful integration of ESG factors.



ESG integration concept



⁴ GSIA. 2021. Global Sustainable Investment Review 2020; SSF. 2021. Swiss Sustainable Investment Market Study 2021.



In 2021:



Credit Suisse Asset Management extended its access to ESG information by adding relevant third-party ESG data providers and by continuing to pursue proprietary research efforts.



The capabilities offered by Aladdin, a portfolio management software developed by BlackRock Solutions, forms the backbone of our ESG integration, ensuring availability, traceability, and consistency of our ESG activities.



Our ESG integration processes were continuously developed in accordance with changes in market standards, experience, and the availability of ESG information.



Credit Suisse Asset Management published a dedicated webpage on its [Sustainable Investing Policy](#), which specifies the responsibilities, standards, documentation, and oversight requirements of our sustainable investment activities.

Active ownership – our principles

Our prime objective of active ownership is to preserve and increase the value of the companies in which we are invested. We are convinced that active ownership also includes addressing sustainability-related risks and opportunities. To bring about positive change in this area, we exert influence on companies' business operations on two levels: first, through proxy voting, i.e. the fiduciary exercise of our voting rights at annual general shareholder meetings (AGMs), and second, through continual dialogue with corporations by pointing out company-specific weaknesses and opportunities in ESG areas as well as setting agreed targets and monitoring compliance with them.

ESG-related risks

- Consideration of ESG criteria may lead to results that deviate from traditional investments.
- It is possible that the data from the ESG data providers may be incorrect or not immediately updated and therefore may experience some time lag.
- There is no guarantee that incorporating ESG considerations in the investment process will have a positive impact on the total return of the fund.
- While the investment process includes ESG considerations, it also applies other financial metrics. There is no guarantee that the portfolio will fully address all ESG metrics.



Proxy voting

For us, the year 2021 marked the beginning of systematic global proxy voting. Before that, our focus was predominantly on Europe. To this end, we worked with our internal partners to develop corresponding regional proxy voting regulations for North America and the developed countries in the Asia-Pacific region (Australia, New Zealand, Japan, Singapore, and Hong Kong) while remaining true to our best practices. Our general focus is on regulations that are already applied or are in the process of being established in the respective markets. Essentially, we aim to protect the interests of minority shareholders, avoid conflicts of interests, and strengthen the independence of the highest internal supervisory body.

In Europe, the implementation of the EU Shareholder Rights Directive 2017/828 (SRD II) had a positive impact. A high level of expertise in

compensation matters is now standard for an asset manager who takes sustainability issues seriously. Accordingly, this topic appears on the agenda at general meetings and must be reviewed by shareholders. The directive is also expected to speed up the implementation and exercise of proxy voting rights at custodian banks and issuers. We continue to see a significant need for improvement in this respect. Unfortunately, there are still some companies that make it difficult to exercise proxy voting rights by imposing unnecessary bureaucratic hurdles, which we view as actively restricting our rights as shareholders.

Last year we also focused attention on shareholder proposals that often challenge management and the board of directors (BoD), especially when ESG issues are involved. Further information can be found in section 2.7 (Shareholder proposals).



Over the past year, we continued the successful activities of the previous year. Our focus was on the following aspects:

Executive management compensation



The structuring of executive board compensation is of central importance to us. An attractive compensation framework is needed to retain and motivate management personnel. However, it is necessary to bring the long-term interests of the various stakeholders into alignment, especially the interests of the executive board and investors. We put a sharp focus on deferred long-term compensation laid out in the long-term incentive plan (LTIP). We consider an LTIP a mandatory element, and the majority of the companies in which we are invested have such a plan in place. As in the previous year, we initiated a dialogue with those companies in which we have major participations through our fund holdings that do not have an LTIP. Find out more in section 3.2.3 (Thematic engagement, governance). We are seeing further progress in compensation reports throughout Europe. The improved transparency and degree of disclosure enabled us to gain better insights that were necessary. As a shareholder, we have the fiduciary duty to take a stand on absolute compensation, compensation budgets, and/or remuneration systems in a growing number of countries. We exercise this duty with due care, conducting detailed analyses of compensation reports.

Independence of the BoD and, in particular, of the audit and compensation committees



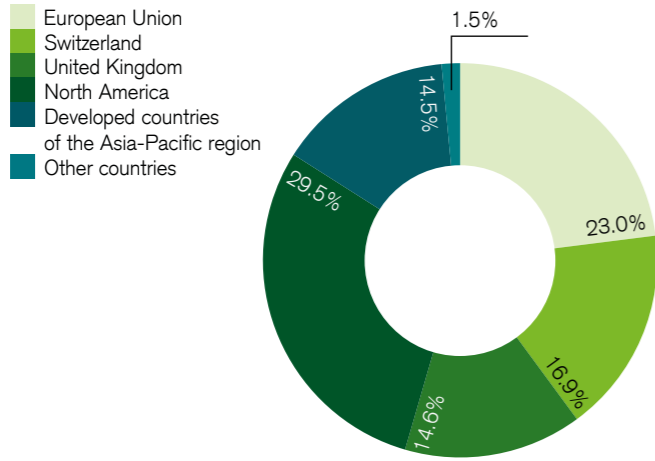
We consider it our fiduciary duty to ensure the independence of the aforementioned bodies. An independent BoD is crucial to the economic success of a company. Business strategies get adjusted much more often these days than some years ago and, as a consequence, changes to the executive board (CEO, CFO, etc.) occur more frequently than in the past. The independence of the BoD is an important bulwark against potential questionable developments in this area in terms of business policy and strategy.

Capital measures



We take a critical stance on capital increases without preemptive rights for existing shareholders. Our threshold here is a 10% dilution of voting rights, which we consider the current best-practice limit for Switzerland and Europe.

Proxy voting by region

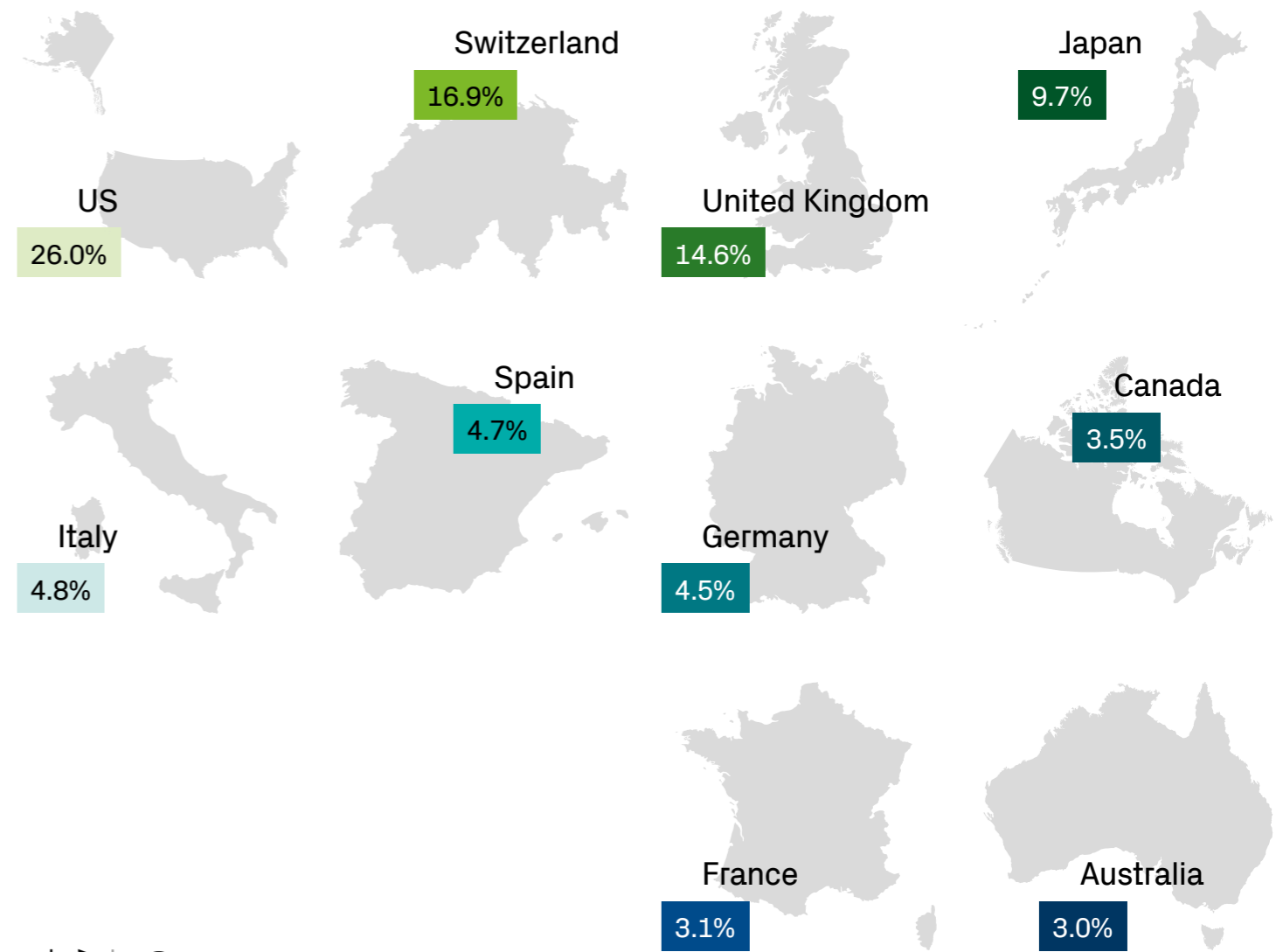


2.1 Proxy voting by country and sector

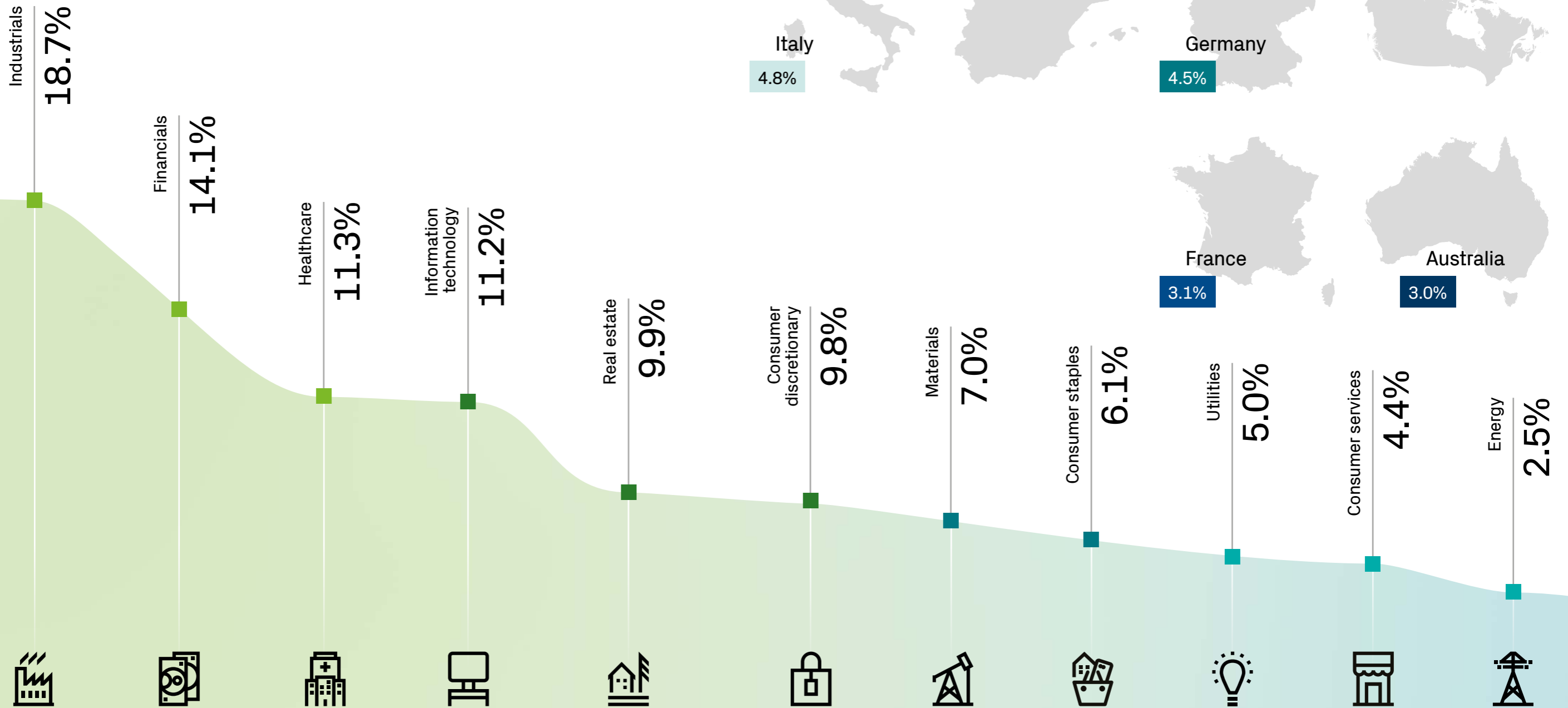
In 2021, we exercised our voting rights as part of our global coverage at a total of 1,252 ordinary and extraordinary general shareholders' meetings. This represents an increase of 154% compared to the previous year, when our focus was on Europe and we were represented at 493 general meetings. From a geographical perspective, Europe, including the United Kingdom and Switzerland, remained the most important region, accounting for a good 50% of the total. The second most important region was North America (29.5%), followed by the developed countries of the Asia-Pacific region (14.5%).

Our three most important countries were the US (26.0%), Switzerland (16.9%), and the UK (14.6%, excluding the Channel Islands).

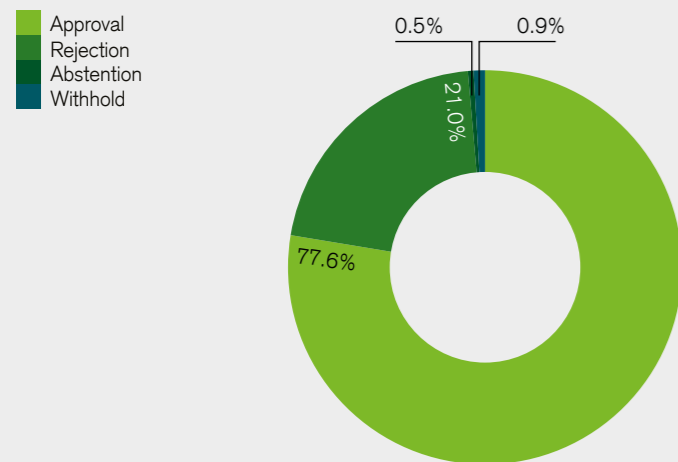
Proxy voting by country



Proxy voting by sector



Our voting record



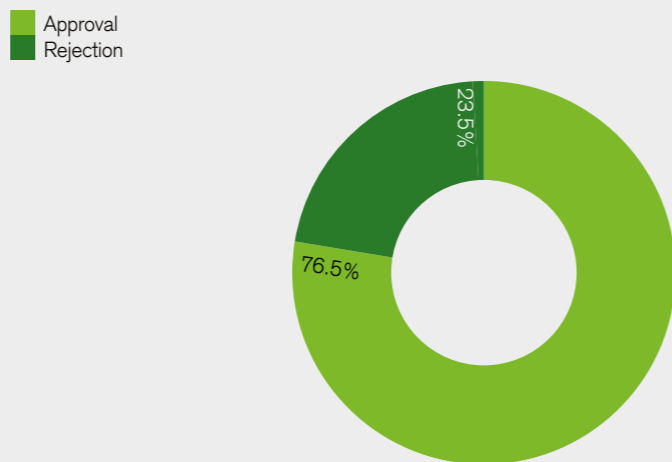
Although we aligned our activities globally last year, our voting record remained stable. Overall, we endorsed 77.6% of all motions (2020: 77.0%), while we rejected 21.0% (21.3%). It makes sense to add 0.9% to the latter figure for the “withhold” category. It is a peculiarity of North America, where in personal elections, unlike in Europe, there is no option for active deselection. Our abstentions decreased further and amounted to 0.5% (1.7%).

We would certainly describe our attitude toward recommendations for the BoD and the executive board as critical. We endorsed only about three-quarters of motions (76.5%) and rejected around one in four (23.5%).

2.2 Elections

When electing candidates for the BoD, our focus is on the independence of the board as a whole and of the individual board committees. National differences must be taken into account. In the United Kingdom, for example, best practices are defined by the Corporate Governance Code. We also pay close attention to what is known as

Vote alignment with management



“overboarding,” i.e. we make sure that board members do not hold an excessive number of mandates at the same time. A board chairpersonship counts double here because this function entails a correspondingly higher workload.

2.2.1 Election of members of the BoD

As mentioned above, when electing members of the BoD, we focus on ensuring the due independence of the board as a whole. The same applies to the audit and compensation committees, where we insist on majority or full independence. Depending on the country, we also require majority or full independence for the nomination committee.

Regarding the second important aspect, namely overboarding, in Switzerland we apply a stricter definition of overboarding than the one currently recommended by the Swiss business federation Economiesuisse. We believe that board members face a demanding and complex workload and should have the necessary capacity to devote themselves to their responsibilities properly during unforeseen challenging periods.

Globally, we endorsed 82.8% of all candidates and rejected 15.0%. If the withholds in the North American region are added to the active rejections, we rejected around 17.0% of personnel elections. Abstentions amounted to a marginal 0.3%.

When it comes to electing supervisory board candidates, the situation in Germany is practically the same: we endorsed 82.0% of all candidates and rejected 18.0%.

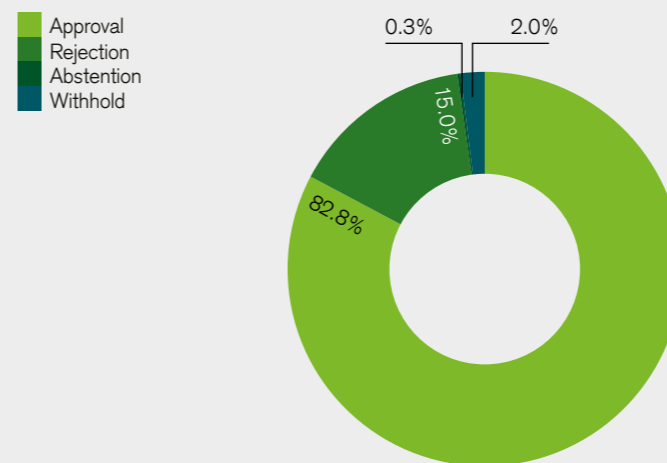
2.2.2 Election of committee members

In certain countries, shareholders are also responsible for electing members to individual committees. If the independence of those bodies, which we require, is not compatible with the regional or country-specific requirements, we will vote the members of the supervisory body out of office in the main election accordingly.

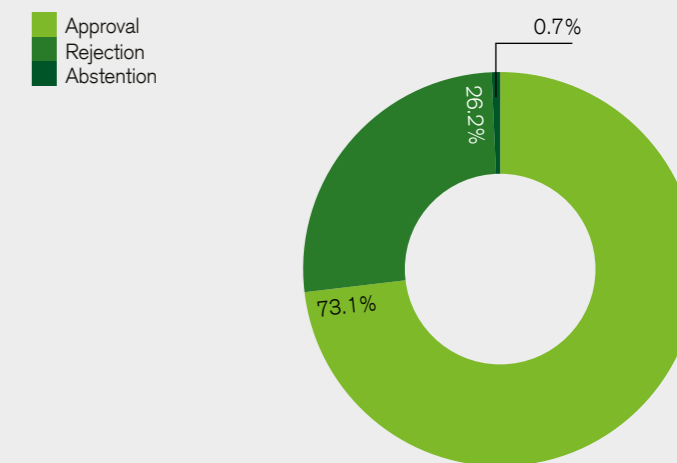
Compensation committee members are elected separately in Switzerland pursuant to the Swiss Ordinance against Excessive Compensation in Listed Stock Companies (OaEC). Since the

majority independence requirement for compensation committees was not met in every case, we were able to endorse only 73.1% of the candidates proposed for election. In other words, we rejected more than one in four proposed candidates, a figure nearly unchanged from the previous year. We are clearly still dissatisfied with this circumstance and have therefore initiated a dialogue with various companies as part of our thematic engagement with corporate governance. Further information can be found in section 3.2.3. (Thematic engagement, governance).

Votes on elections to BoDs



Votes on elections to members of the compensation committee



2.3 Compensation

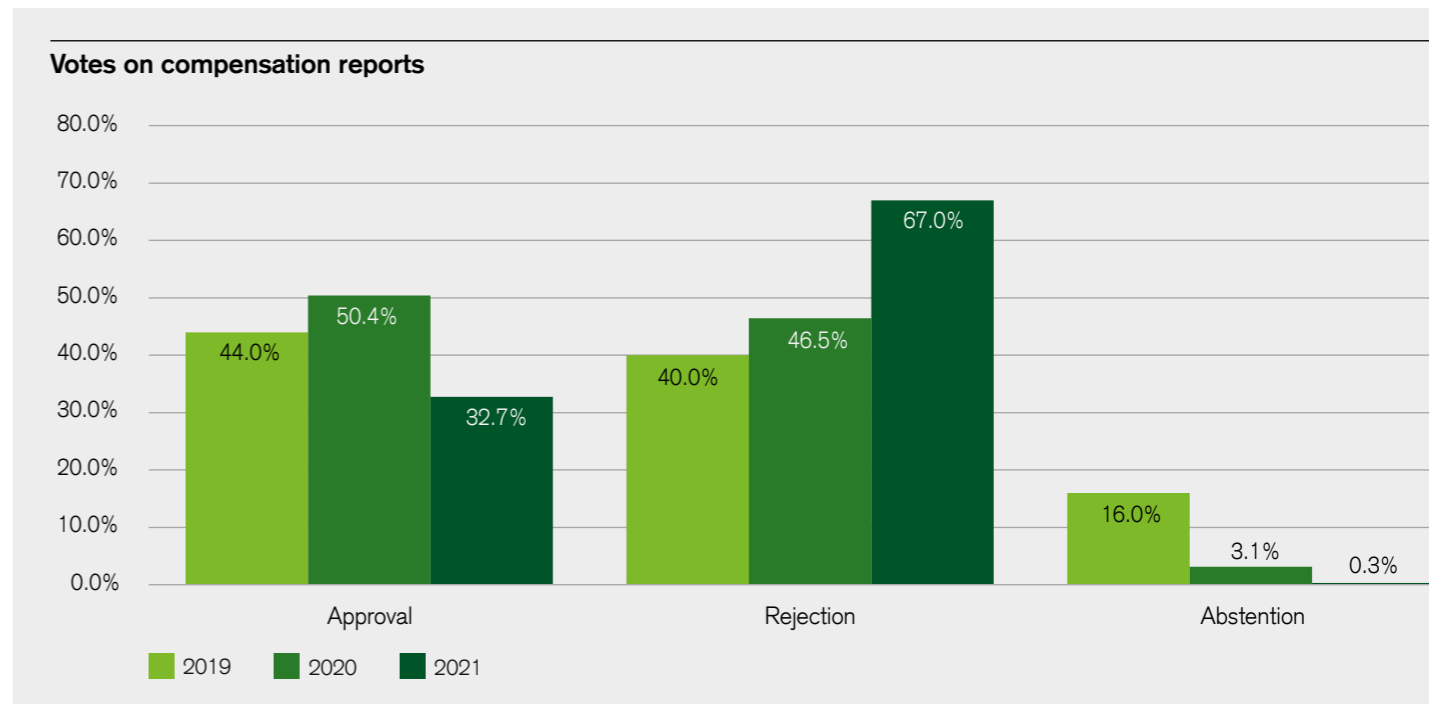
In some countries, there is a mandatory requirement for compensation to be approved by shareholders. This applies in particular to the countries of the European Union and Switzerland. In Europe, there has been great variation in the transposition of SRD II into respective national laws, and its implementation is thus highly inconsistent from country to country. For example, absolute compensation amounts are usually voted on as a budget for the next fiscal year or the following year. Overall compensation frameworks are often put to a vote, with some of them then remaining in effect for several years. Retrospective approvals are quite rare and are also problematic since part of the compensation would have to be reclaimed if the motion is rejected. Moreover, not all laws implementing SRD II have entered into force yet. However, in principle, we are satisfied with developments in this area, even though we think that simpler solutions would have been possible in some instances.

We place high requirements on compensation policies but base them on achievable targets. We have noticed that a considerable number of companies have set robust standards regarding their compensation policies and have adhered to those standards for years. Large-cap companies perform better in this respect than small-cap ones. Across all compensation issues, we approved only 44.1% of the motions. This marks a significant decrease compared to the previous year (53.5%). The main reasons for this that we can see include the fact that due to the COVID-19 crisis, many boards granted special compensation to their executive board members based on discretionary awards. We further rate US omnibus stock plans as critical. Even though they are mainly aimed at the general workforce, they are also accessible to members of the BoD, with the short vesting period being a thorn in our side. More information can be found in section 2.3.3 (BoD compensation).

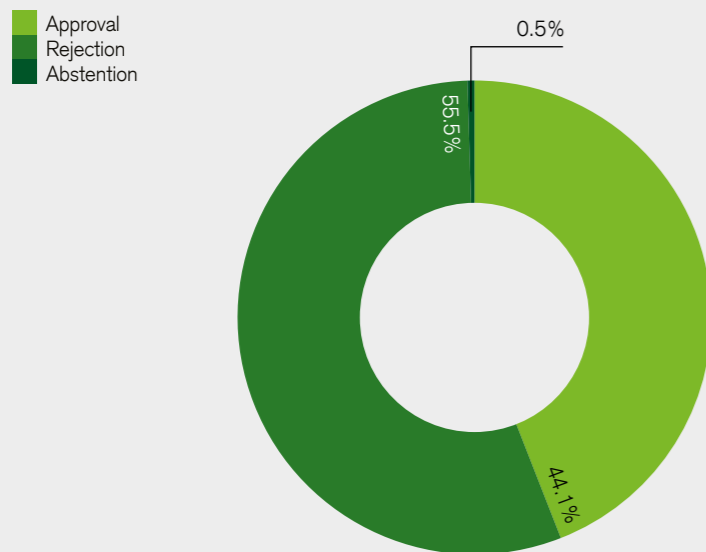
2.3.1 Compensation reports

The number of markets where a nonbinding vote on the compensation report has become either the best practice or even mandatory is growing. We hope that this will increasingly become the standard practice in the interest of good corporate governance. In particular, we believe that this vote should be the norm in Europe. This agenda item covers multiple aspects such as absolute compensation, for example, but also the structure of the compensation framework per se. We continue to take a critical stance on stripping out internal "exceptional income statement items" (e.g. restructuring charges). Many of those special items occur more than once in a business cycle and should therefore be categorized as standard budget items from a long-term perspective. We believe that all stakeholders should bear part of the responsibility for those burdens.

It is gratifying to report that there has been a gradual increase in personal equity investments by executive board and BoD members in the



Votes on compensation issues



companies for which they work. One exception is Germany, where many supervisory board members do not want to hold a personal stake in the company where they have a mandate due to the special legal situation there. We can understand concerns in this regard; yet on the other hand, we also note that a small number of companies are nevertheless starting to explore the issue. We continue to expect executive board and BoD members, depending on their function, to hold a personal investment in the companies that would amount to one to two times their annual basic salary.

In 2021, we noted a high number of extraordinary and/or discretionary compensation awards outside the regular short-term and long-term variable compensation plans, i.e. short-term incentive plans (STIP) and long-term incentive plans (LTIP). While – according to the companies – this was

primarily COVID-19-related, we take a critical view on disbursing discretionary payments outside the quantitative programs, especially when they are made under the LTIP. In addition, the payments are not explained with sufficient transparency in the compensation report and are very difficult for outsiders to understand. As a result, our approval rating dropped significantly compared with the previous year. We endorsed only 32.7% of the compensation reports and rejected 67.0% (two-thirds) compared to 2020, when we were still able to endorse 50.4% of the motions. We consider this significant decline to be temporary and expect a return to normal in 2022. If companies do not allow a (non)binding vote on the compensation report, we will continue to vote on the next most suitable agenda item in order to express our material concerns.



2.3.2 Compensation frameworks

The implementation of SRD II continued over the past year, and a larger number of compensation frameworks accordingly came up for a vote. These are legally binding, but do not have to be reapproved every year and remain valid over a medium-term time frame. Compensation framework practices differ depending on national legislation.

When voting on compensation frameworks, we make sure to verify that they are transparent and understandable, and that all key variables and metrics are known from the outset. If a metric that judges a company's share price relative to a peer group is used, the identities of the companies belonging to the peer group must also be disclosed in a transparent manner. Furthermore, we pay special attention to verifying if the LTIP has at least a three-year cliff vesting schedule. In the Netherlands and the UK, a two-year holding period has become established as the best practice.

Our approval rate fell to 48.4% last year from 57.5% in the previous year. As with the LTIP, we are also very critical of discretionary compensation where the payment is not made in shares, but as a cash settlement. The latter is something we frequently see in Germany. We do not agree with this practice because it means that the BoD is not invested in its own company. We have therefore decided to address this situation as part of our thematic engagement. Further information can be found in section 3.2.3 (Thematic engagement, governance).

2.3.3 BoD compensation

While this agenda item focused almost exclusively on Swiss companies in the initial phase, individual companies from Germany and the Netherlands were added in 2021. It is important to us that BoD members receive fixed compensation that is not linked to performance. We also support a fixed number of shares determined in advance as compensation with a minimum three-year lock-up period. We categorically reject performance-related compensation and, in particular, options on shares for this body. In the US, BoD members can generally participate in employee stock option

plans (omnibus plans). We are not critical of those plans per se, provided they are directed at senior managers and not at the BoD and the executive board. The plans are characterized by a very short vesting period, accelerated payouts in the event of acquisitions, and other short-term incentives. We therefore consider them to be expedient generally, but not appropriate for BoD members. Their compensation incentives must be clearly aligned with the long-term nature of the business.

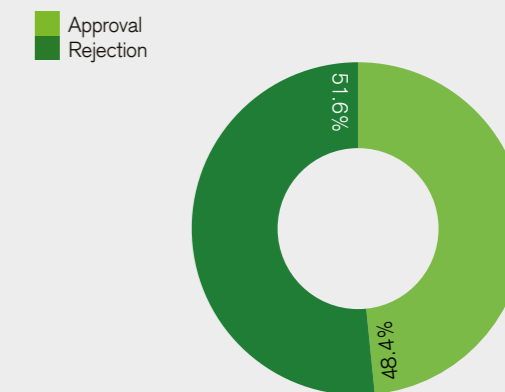
Most votes on BoD compensation are ex ante votes on the budget until the next ordinary general shareholders' meeting or for the next calendar year. We endorsed 71.6% of motions on average. Due to the broader geographical coverage this past year, a comparison with the corresponding figure from the previous year is not meaningful.

2.3.4 Executive board compensation

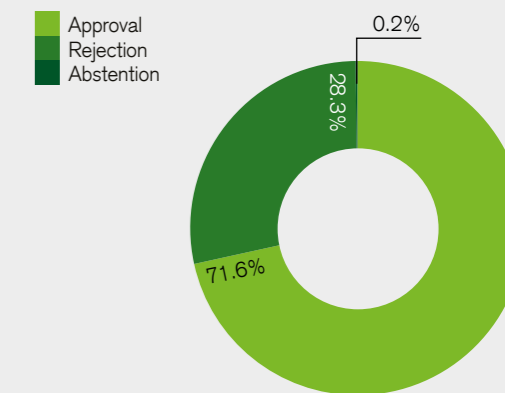
This agenda item continues to be restricted exclusively to Europe, including Switzerland. We covered additional companies compared with the previous year and accordingly voted on significantly more motions than in the previous year. Here, too, it was a matter of voting on budgets, and mostly for the fiscal year after next. However, we rejected almost half (49.5%) and were able to endorse only just under half (48.5%) of the motions. We saw relatively often that the requirements mentioned further above (see also section 2.3.2, Compensation frameworks) were not fulfilled and/or that the maximum possible growth rates in compensation compared with the previous year were above our threshold.

Based on the shortcomings identified in the proxy voting activities, we have taken up the compensation issue as part of our thematic engagement initiative. LTIPs in particular are a core aspect for us (see also section 3.2.3, Thematic engagement, governance). We also consider it necessary to discuss the matter of compensation frameworks and budgets in dialogue with specific companies in 2022 (see also section 4.2.3, Outlook, governance).

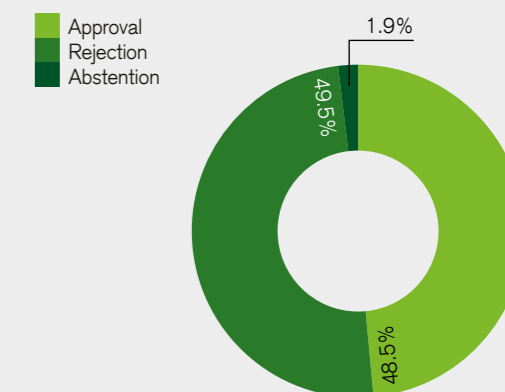
Votes on compensation frameworks



Votes on BoD compensation



Votes on executive board compensation



2.4 Capital measures

Capital measures include stock buybacks, share capital reductions, and capital increases. The latter may normally be effected by means of subscription rights, or certain shareholders may be given preference. In total, we endorsed 73.5% of all capital measures.

We consider share buybacks and the subsequent cancellation of shares to be largely unproblematic. However, we continue to take a more critical stance on authorized and/or conditional capital increases (one or both forms may exist, depending on the country), specifically the issuance of new shares without subscription rights being granted to existing shareholders. Such capital increases dilute or reduce the value of existing shareholdings, and this dilution must be capped. We understand that the convenience and speed of this type of financing can make it very attractive to companies, but it may – at least partially – undermine our fiduciary responsibilities. We currently allow a maximum dilution of 10% over a time horizon of at least two years.

We endorsed 58.8% of all motions on this issue last year, representing a clear improvement over the previous year. The 10% limit is being respected by more and more companies and is becoming

the best practice. However, it is clear that there are some individual sectors such as biotech where companies continue to substantially exceed this limit.

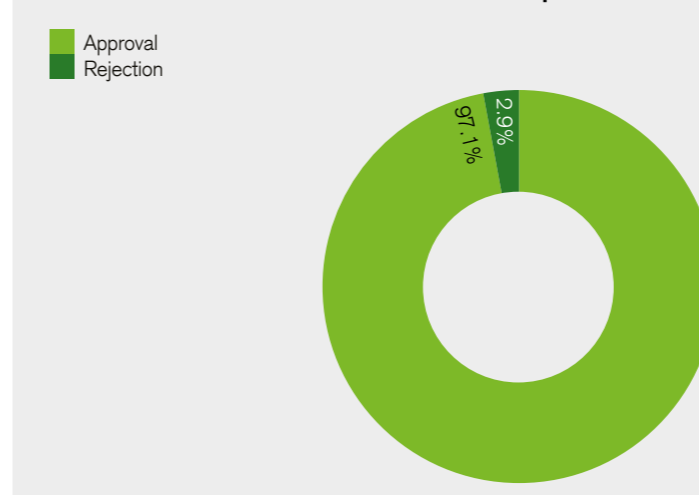
2.5 Amendments to articles of incorporation

We reassess amendments to articles of incorporation on a case-by-case basis, with a focus on safeguarding the rights of minority shareholders. In general, we found only very few critical change requests. Accordingly, we were able to endorse almost all motions (97.1%) in 2021.

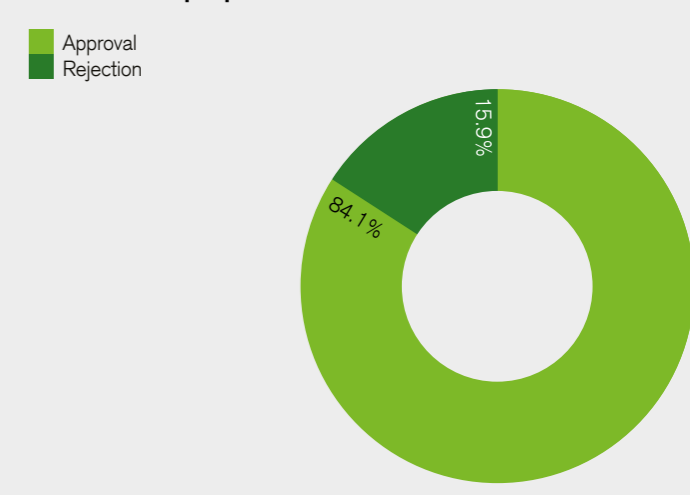
2.6 Credit Suisse Asset Management CH & EMEA Proxy Voting Committee

This committee consists of highly qualified experts from Credit Suisse Asset Management’s general counsel/legal, compliance, risk, portfolio management, and ESG departments. It passes decisions on individual warranted deviations from our proxy voting methodology and adjudicates escalation cases in which the assessment by our fund portfolio managers irreconcilably diverges from that of our active ownership officers. The committee mediates with the goal of reaching a compromise, which is why it can make sense to deviate from the proxy voting policy in justified individual cases. The overriding rationale, however, is always our commitment to upholding our fiduciary duty solely in the interest of investors in our funds.

Votes on amendments to articles of incorporation



Shareholder proposals



The committee also passes decisions on amplifications to our proxy voting methodology, which we undertake each year in order to incorporate current corporate governance and ESG developments into the body of rules. These adjustments are also discussed with all internal stakeholders before being put into effect.

Our internal Proxy Voting Committee has become well established within Credit Suisse Asset Management and is respected and valued. As in the previous year, it had to make only a few, albeit far-reaching decisions in 2021 – not in cases regarding escalation, but those concerning justified deviations from the policy.

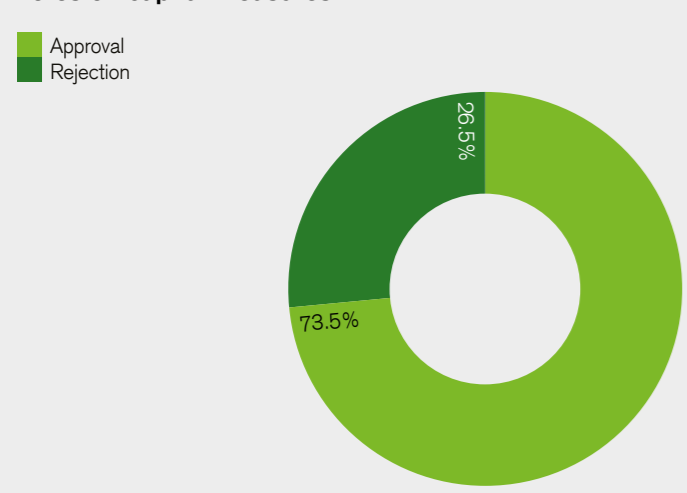
2.7 Shareholder proposals

Since we are now able to exercise our proxy voting rights worldwide, we can make broadly based statements about our voting record on shareholder proposals for the first time. We observed a high number of motions, particularly in the US and Japan, which we critically reviewed based on our Credit Suisse Sustainable Investment Framework. We also consulted research reports, including from Institutional Shareholder Services Inc. (ISS), our proxy voting partner.

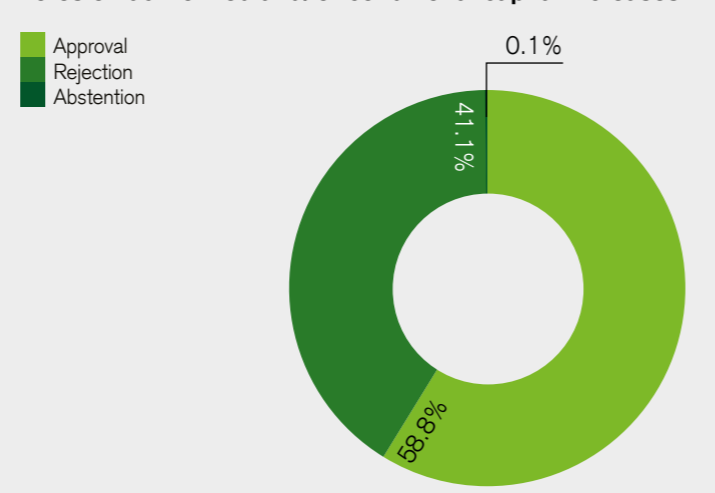
In 2021, we endorsed 84.1% of shareholder proposals. It is obvious that the companies themselves are highly critical of these agenda items. We voted against the recommendation of the BoD and the management on 79.2% of the motions.

In some cases, shareholder proposals are somewhat misappropriated by interest groups. In Japan, for example, we observed a large number of motions from energy producers in which campaigners were demanding that nuclear power plants be shut down as quickly as possible, whereas in the US, we repeatedly noted motions to convert the company in question into a nonprofit organization. In principle, we support proposals that lead to increased disclosure. This additional information about the company supports our understanding of the investment case. However, there are also motions requesting additional reporting that do not provide any new insights or analysis and thus do not add value. We therefore reject such motions.

Votes on capital measures



Votes on authorized and/or conditional capital increases



Engagement

To us, sustainability means more than checking whether or not a given company conforms to a rigid catalog of criteria. We view ourselves as a “good steward”, a responsible stakeholder performing a dual function. We act as a proactive partner to the companies in which we are invested through our fund holdings. Through this direct contact with decision-makers, we pursue the goal of influencing change in favor of sustainability at the corporate level. As part of a constructive and lasting dialogue, we want to motivate companies to focus their activities more strongly on sustainability. Our engagement involves contributing to a more sustainable environment and society while at the same time reducing investment risks and increasing the return on our funds in the medium to long term.



Our activities are determined by thematic urgency. To define them, we divide the issues that are important to us into the three ESG categories: environmental, social, and governance. Since these are complex categories, overlaps are possible when categorizing the individual topics.

To identify the materiality of the individual subject areas, we relate them to the security holdings in our funds. The core question of the materiality analysis is how a specific ESG issue affects the business model of a particular company (“dependencies”) and how the business model influences the ESG issue (“impacts”). For example, a materiality analysis on climate change might identify the risk of storm damage as one of the dependencies, and company-specific emissions of greenhouse gases as one of the impacts. Making such connections is a central aspect of our thematic inquiry process.

In the ESG team, we work closely with fund managers to define the topics and issues that we want to discuss with companies. Together, we draw up a set of requirements that serves as the basis for reaching agreements with companies on targets to be met, and establishes a time frame for our commitment. It is important to us that the achievement of goals is measurable. In addition, it is crucial that we accompany the companies over an extended period and that the goals agreed with them are achievable. Postponing the achievement of goals is possible, but there may come a certain point when we would have to decide internally on how to proceed.

3.1 Overview of our activities

The year 2021 was shaped by the COVID-19 pandemic, the consequences of which caused upheaval around the globe. As a good steward, it is important to us to focus on the long term.

In an exceptional situation such as that caused by COVID-19, it is important not to stick rigidly to short-term goals, but to adapt processes and goals to the situation as necessary.

In our thematic engagement activities, the impact of the ongoing COVID-19 pandemic was felt at the following levels:

In the area of **corporate governance engagement**, we noted an unprecedented level of discretionary variable compensation payments. These were largely unsystematic and the result of corresponding decisions by compensation committees. Extraordinary times require extraordinary measures, but these payments were not sufficiently justified in the compensation reports to warrant our approval. We therefore approached the companies concerned in the spirit of good stewardship and responsible management. Further information can be found in section 3.2.3 (Thematic engagement, governance).

As part of our **social engagement activities**, in which we included a focus on food loss and waste, the impact of the COVID-19 pandemic dominated conversations with companies. Efforts to reduce food loss and waste in the hotel industry, for example, have been hampered by temporary closures and other protection measures necessitated by COVID-19. It was therefore not possible to establish a reliable basis for identifying and measuring key performance indicators (KPIs). We therefore decided to extend the introductory phase of this engagement activity and to work with the companies to agree on best-practice guidelines tailored to the relevant sector. Such guidelines, which are tailored to the respective industries, are very valuable in times of crisis, especially for small- and medium-sized enterprises (SMEs). As a next step, we will set robust medium- to long-term targets for our food-specific engagement activities. Further information on this can be found in section 3.2.2 (Thematic engagement, social: food loss and waste).

On the **environmental front**, the COVID-19 pandemic impacted our engagement on the focus topic “Climate change and publicly traded real estate companies.” We found last year that many organizations were busy responding to the changes in property use brought about by COVID-19. For example, rooms were set up in residential rental properties to allow people to work from home. Based on these findings, we decided to narrow our focus to three companies that are leading efforts to combat climate change. This enabled us to establish innovative practices in times of crisis. More information can be found in section 3.2.1 (Thematic engagement, environment, climate change and publicly traded real estate companies).

The impact of the COVID-19 pandemic is evident in all aspects of daily life and business. The question is how to prevent a similar pandemic in the future. One of the main drivers of zoonotic pandemics such as COVID-19 – i.e. pandemics caused by pathogens that have spread from animals to humans – is the loss of biodiversity and the rapid extinction of species. For this reason, we included biodiversity and species conservation in our thematic engagement activities last year and launched the pilot phase of this project. Further information can be found in section 3.2.1 (Thematic engagement, environment, biodiversity loss: extinction at an unprecedented rate).



Our engagement can be divided into the following four categories:



Thematic engagement

In the context of our ESG initiatives and thematic focus areas, we identify companies where we see a need for action to be taken and enter into a dialogue with them.



Individual engagement

The focus here is on company-specific ESG issues, which we approach from a risk perspective.



Engagement in relation to proxy voting

For us, proxy voting is not an isolated action, but an important component of our overall active ownership strategy and is accompanied by a carefully formulated engagement plan. This interaction strengthens our cause.



Public policy engagement

We participate in industry-wide efforts to steer the banking sector and the regulatory environment toward sustainability.

The ESG team conducted a total of 126 engagements last year, of which 80 related to thematic engagements, 28 to proxy voting activities, and 18 to individual engagements. In addition, there were another 185 individual engagements that our fund managers carried out without our participation.

The following chart shows the company bodies with which we were in contact. If representatives of more than one body attended a meeting, this resulted in corresponding double counts. More than half of our discussions were with members of the BoD and/or the executive board, and at least

one-fifth were with representatives from the area of corporate social responsibility. We only counted the investor relations category if those interviewees exclusively represented the counterparty. Overall, we found a very high level of competence regarding ESG issues among our interviewees.

Engagement counterparts

57
Board of directors

32
Corporate social responsibility

23
Executive management

19
Investor relations

16
Legal and compliance










3.2 Thematic engagement

Our thematic engagement is aimed at companies in which we hold considerable investments through our funds. This applies not only to equities, but also to investments in bonds. We do not draw any distinctions here between actively and passively managed funds. Our contacts range from large enterprises (large caps) to small- and medium-sized enterprises (small caps and mid caps). Since we hold substantial equity positions in some small and mid caps, we have a particular focus on SMEs. However, best practices are often developed by large caps, and we can present these experiences and examples in meetings with SMEs. As a good steward, we can leverage this to raise awareness of key ESG issues among SMEs and accelerate the dissemination of best practices in the market. Due to the long-term nature of our thematic engagement initiative, we are available to companies in the spirit of an ongoing dialogue and consider the meetings to be part of a process.

Within the thematic engagement process, we identified the following core topics in relation to the individual ESG categories last year:

<h1>E</h1> <h2>Environment</h2>	<h1>S</h1> <h2>Social</h2>	<h1>G</h1> <h2>Governance</h2>
 Climate change and publicly traded real estate companies  Biodiversity loss: extinction at an unprecedented rate	 Food loss and waste	 Independence of the BoD and of the committees  Compensation structure for members of executive boards and BoDs
See section 3.2.1 →	See section 3.2.2 →	See section 3.2.3 →

3.2.1 Environment

Climate change and publicly traded real estate companies

Buildings generate nearly 40% of annual global CO₂ emissions.⁵



As populations continue to grow and cities continue to expand, there is increasing pressure on building new infrastructure and enhancing existing buildings. Around 55% of the global population lives in urban areas. This trend is expected to continue, and it is estimated that by 2050, 70% of the world's population will live in urban areas.⁶ The building sector has the largest potential to significantly reduce greenhouse gas (GHG) emissions compared to other major GHG-emitting sectors,⁷ which means that real estate's interest in ESG and sustainability is stronger than ever. This involves taking action to reduce the energy consumption and carbon emissions of real estate portfolios. It also involves adapting portfolios to make them more resilient to climate change issues that affect the weather, our towns and cities, and our planet.

Our engagement in 2021

Active engagement on climate change issues is an effective way in which we can address climate change risks in our portfolios. Raising these issues in a dialogue with the companies themselves is an important mechanism for putting the integration of these risks into action with companies. At this point in time, most listed real estate companies have set net zero goals, and some companies are already well on track to meet those targets. Last year, we observed significant disruptions in the real estate sector due to the COVID-19 pandemic. The disruptions ranged from companies planning residential spaces around home office needs to companies reconsidering their baseline target setting due to less demand for office spaces. COVID-19 has incited a revolution in the workplace and home space, and real estate companies need to reinvent themselves accordingly. Given those

considerations and uncertainties, we decided to use our engagement opportunity to follow up with three industry leaders to determine the current best practices and trends in the market. We engaged with companies in Switzerland and Germany operating in the residential and office segments and used the dialogues to deepen our understanding of the steps they are taking to address these key trends in their business models and risk management systems.

During our meetings with the companies, we structured our dialogue around four trends: baseline expectation for energy efficiency in real estate, tenants driving sustainability innovation, emission reduction of embodied carbon in building construction materials, and resilience and climate risk as a priority for investments. We also looked at the following areas in accordance with our thematic engagement framework on climate change: overall disclosure, climate-focused targets, climate risk management, and overall strategy, all of which are core elements of the Taskforce on Climate-Related Financial Disclosures (TCFD) framework. Combining both of these frameworks, we were consistent in focusing on core issues, which are those linked to climate change. It also helped us ensure that the companies receive a single and consistent message from us.

⁵ Architecture 2030. 2018. Why the Building Sector?
⁶ The World Bank. 2020. Urban Development Overview: Development news, research, data.
⁷ United Nations Environmental Program. 2020. Building sector emissions hit record high, but low-carbon pandemic recovery can help transform sector.

01 | Case study

Driving residential innovation



Sector
Listed real estate



Region
Europe



Stage
Ongoing

We have included this company in our “climate change in real estate” thematic engagement since 2019. During the engagement in 2021, we focused on the emission reduction of embodied carbon in building construction materials. The company acknowledges the clear need to incorporate sustainable methods from the earliest stages of new projects. It recognizes and plans for the fact that concrete will need to be replaced in the next 30 years, and estimates that concrete itself currently accounts for 30% of the CO₂ emitted by buildings. The need for resource-efficient construction processes and the use of materials and products such as solid timber and hybrid timber is a given. The company feels that it is a large enough player in the construction industry to overcome challenges like sourcing large amounts of wood for building. It is currently in the pilot stage of projects that involve apartment blocks built of wooden frames and modules. The most challenging part of reducing the embodied carbon of a building is trying to keep things affordable because affordability is important for its current tenants. Switching to materials such as wood is a massive cost to the company.

Our dialogue with the company in 2021 also focused on the sustainability innovation of buildings and how tenants are involved. Tenants’ behavior has a huge impact on saving energy, and this company has played into this by offering smart building technology that is accessed through an app. The app displays the CO₂ savings and energy use of each apartment. According to the company’s records, the app already has a six-digit number of downloads and tens of thousands of daily users. The company’s goal is to have as many tenants as possible involved in saving energy. The company also mentioned that exchanges with tenants on environmental topics are becoming more regular, although affordability is always attached to these inquiries.

The shift to sustainability is influencing rental pricing. The core issue for this company is the need to keep costs down for tenants while also modernizing buildings and switching to renewable energy sources. Currently, 6% of the investment amount is passed on to clients through large-scale renovations. This translates into no more than 2 euros per square meter, while the law specifies a cap of 3 euros. One recent project in Germany ended up being cost-neutral for tenants because they saved money on their energy bills in the long term.

Conclusion:
Given the size of this company, we believe that it has the potential to lead the way in certain areas of sustainability, and it certainly recognizes that it has both the responsibility and the opportunities to do so. The company has identified five action areas for energy-sufficient neighborhoods of the future, some of which have been mentioned above, and it is planning to increase its efforts in those areas by stepping up research and funding. The company has also made a clear and explicit commitment to climate protection targets and a CO₂-neutral building stock by 2050. It was interesting to hear about how the company manages the costs of renovations, including the switch to more sustainable buildings, and how it balances that while also keeping in mind the additional costs that tenants have to bear.

02 | Case study

From linear to circular



Sector
Listed real estate



Region
Europe



Stage
Ongoing

We have included this company in our “climate change in real estate” thematic engagement since 2019. During the engagement dialogue in 2021, we focused on the four key areas we identified for our engagement strategy. While we were discussing the carbon impact of building materials, the company mentioned that it had started to incorporate circularity into its building planning, which relies on the Cradle to Cradle® design principle. The circular economy approach can significantly reduce the CO₂ footprint of a building because one of the main criteria of a circular economy is being “free of pollutants”, and, in an ideal case, the materials used can be kept in an infinite cycle. This company, for example, developed a plant concept for one of its buildings to help improve air quality, and all elements and products, such as the wall paint, were free of harmful substances. While this project was a pilot project and completely new territory for the company, the results have shown that high-quality renovations can be carried out in a sustainable manner while meeting all deadlines and cost estimates.

Conclusion:
This was the first time that we heard from a listed real estate company that it was incorporating Cradle to Cradle® design principles into its buildings. This is a very positive development in the real estate industry, and we would like to see other companies adopt a similar circular economy approach. The company often engages with its peers, which facilitates the exchange of relevant information and sustainable best practices. This could eventually help shape future policies and regulatory frameworks for climate-resilient buildings around the world.

“
Cradle to Cradle Certified®
is the global standard for
products that are safe, circular,
and responsibly made.

Cradle to Cradle Certified®, 2021

Trending topics



Baseline expectation for energy efficiency in real estate

In today's environment, tenants are seeking to significantly improve their energy efficiency, which makes a strong business case for a baseline expectation for energy efficiency to be baked into the price of any new project. Commercial tenants increasingly expect green building certifications and smart building technologies in order to better manage energy consumption levels throughout the operation of the building. Companies have had to react to fulfill these needs.

In practice:

One of the companies we engaged with has reduced its energy consumption per square meter to 110 kWh, while the average in the market is between 130 and 140 kWh per square meter. One of the ways in which the company has achieved this was by installing light sensors in hallways and staircases, which proves that even small changes can have an effect on reducing energy usage.



Tenants driving sustainability innovation

Tenants often have their own ambitious climate goals that directly affect their real estate choices. Since commercial tenants consume an average of 40% to 60% of the total energy used in buildings, it is easy to understand why they would demand state-of-the-art sustainability technologies and practices.

In practice:

A company we engaged with systematically advises its tenants to join its renewable energy procurement contract. This means that the tenant has access to cheaper energy negotiated by the real estate company, and the real estate company can achieve better pricing for the utility costs it bears through its increased buying power. In the end, this reduces the Scope 3 emissions of the tenant and the real estate company.



Emission reductions of embodied carbon in building construction materials

The carbon footprint of a building comes from the operation of the building and the building materials. In other words, lowering the emissions of a building would require emphasis on both. These "embodied emissions" can account for up to 11% of annual global emissions. Embodied emissions cannot be lowered after a building is constructed.

In practice:

One of the companies we entered into a dialogue with has decided that it will avoid greenfield development and favor refurbishment instead. According to its estimates, by reusing foundations, slabs, columns, and facades, 30% to 60% of a building's embodied carbon is avoided. The company plans to start reporting on the avoided emissions in the near future.



Resilience and climate risk as a priority for investments

Whether driven by risk management, insurance, or investor attractiveness, the demand for real estate developers to understand the impact of climate on their bottom line is at an all-time high. Developers view climate considerations as an essential layer of their fiduciary duty to their stakeholders and are developing resilience strategies that involve adaptation as opposed to practices that involve mitigation.

In practice:

All the companies we engaged with have set science-based targets to accelerate the decarbonization of their portfolios. In addition, the companies have started to increase their investments in climate change adaptation by adding low-tech design features, including but not limited to the use of trees to shade the windows from the sun, natural ventilation, and implementing night cooling in buildings.

Conclusion

As tenants become more and more demanding and increasingly seek buildings that incorporate sustainability features, real estate companies are facing greater pressure to operate more sustainably than ever before. The companies we engaged with in 2021 continue to make green practices part of their business strategies, regardless of national policies or a lack thereof. Despite the uncertainties in today's pandemic environment, it is refreshing to see that the big players are still open to meeting the demands in the market, and in most cases, they are leading the way with their innovative approaches. Our decision to engage with these three companies has allowed us to explore and share some of the current trends and best practices in the real estate sector.



Biodiversity loss: extinction at an unprecedented rate

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 actually mean? To present the situation in terms of animals and plants, it means that 1,000,000 species are threatened by extinction.⁸ Extinction rates are estimated to significantly exceed the baseline. This means that, currently, several hundred more species are going to become extinct than under normal circumstances.^{9,10}

Biodiversity loss and COVID-19

The current COVID-19 crisis needs to be evaluated against this backdrop. The SARS-CoV-2 virus is a zoonotic pathogen, i.e. a pathogen that can cross from an animal species to humans. The IPBES estimates there to be between 631,000 and 827,000 currently unknown viruses in nature that could infect people. The Dasgupta Review, commissioned by the UK government, states that land-use changes and species exploitation are key drivers of zoonotic pandemics.

The human costs of the COVID-19 pandemic are horrendous, and on top of that, society has to face the economic costs. Scientists connected with the IPBES estimate these costs to be 100 times greater than the cost of prevention.¹¹ In other words, the global economy is facing 100 times higher costs resulting from a failure of long-term thinking and a lack of investment in the prevention of zoonotic diseases. One of the leading factors driving these diseases is biodiversity loss.

Drivers of biodiversity loss

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

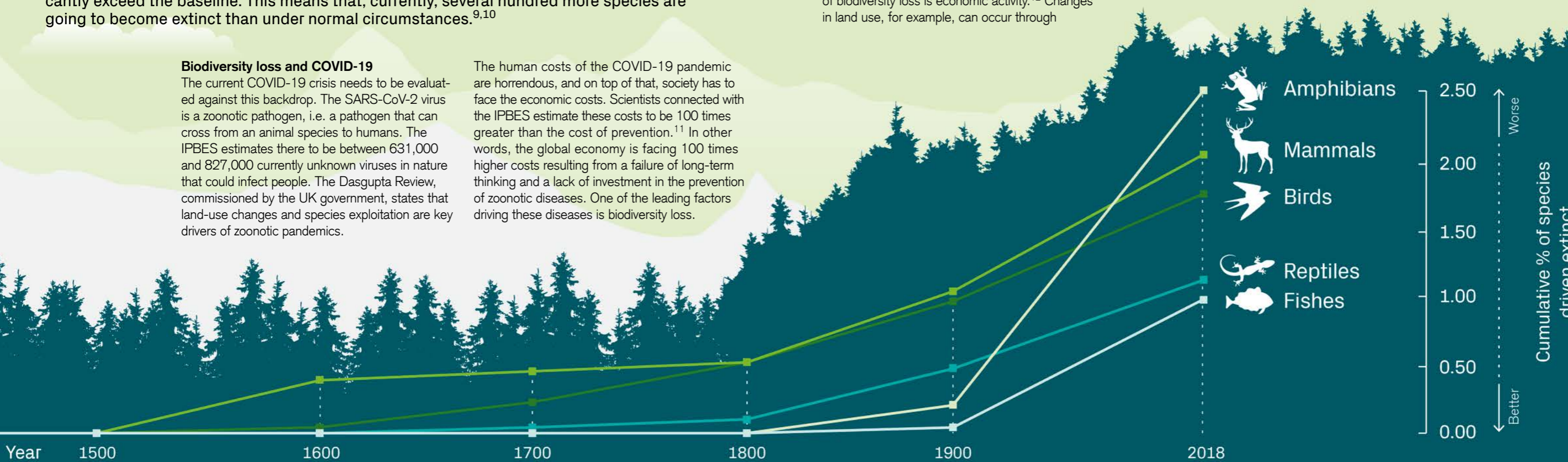
The common key force behind these five drivers of biodiversity loss is economic activity.¹² Changes in land use, for example, can occur through

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 Decade on Ecosystem Restoration 2021–2030 illustrates the need for a holistic and systematic approach to biodiversity loss. Given the importance and increasing urgency of the topic, this year we started our biodiversity engagement pilot aiming to explore how our portfolio companies address biodiversity risk through impact and dependencies in their materiality analysis.

Land use change

is a process by which human activities transform the natural landscape, referring to how land has been used, usually emphasizing the functional role of land for economic activities.¹³



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

⁸ IPBES. 2019. Media release: Nature's Dangerous Decline "Unprecedented"; Species Extinction Rates "Accelerating".

⁹ The Dasgupta Review. 2021. The Economics of Biodiversity.

¹⁰ Baseline extinction rate: approximately 0.1–1 species per every one million species per year. The Dasgupta Review. 2021. The Economics of Biodiversity

¹¹ IPBES Workshop on Biodiversity and Pandemics. 2020.

¹² For a case study, see Biehl, C.F. and Macpherson, M.N. 2016. The Business of Bees: An Integrated Approach to Bee Decline and Corporate Responsibility.

¹³ Bimal P. and Rashid, H. 2017. Land Use Change. Climatic Hazards in Coastal Bangladesh. Science Direct.

Selection of engagement targets for the pilot

Recent scientific findings suggest that biodiversity loss is likely to become an issue for the global economy that no industry will be able to ignore.

Our initial sample therefore includes ten portfolio companies from the following industries:



Chemicals



Food products



Insurance



Pharmaceuticals



Real estate management and development



Semiconductors and semiconductor equipment



Software



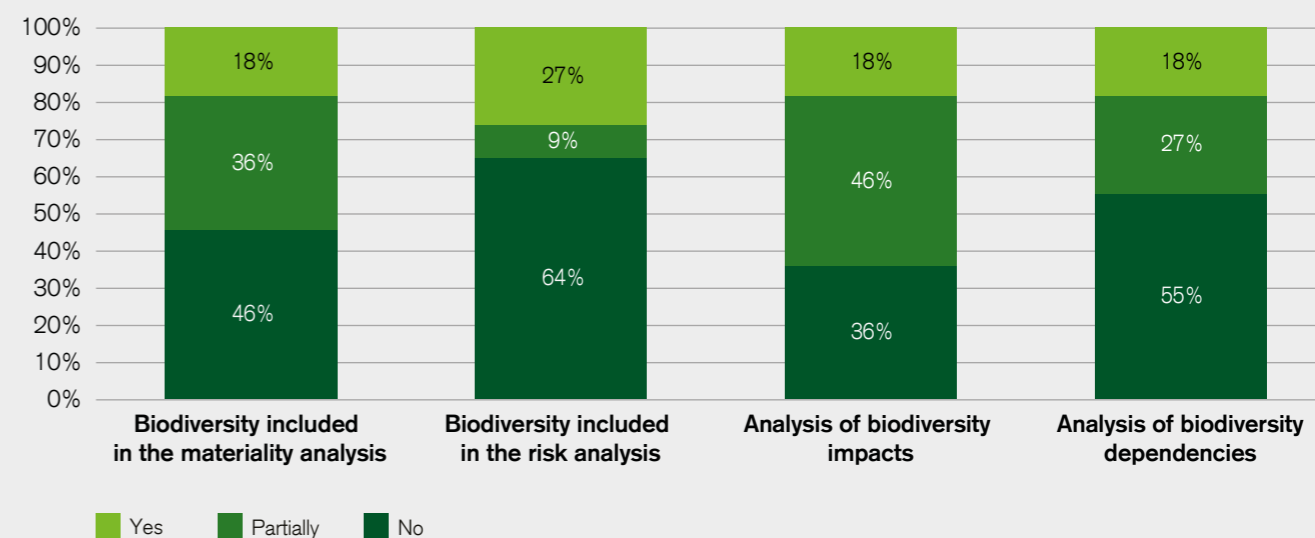
Textiles, apparel, and luxury goods

Reaching out to our portfolio companies showed us that their interest in biodiversity is increasing. Nine out of ten companies from our core target group across the aforementioned sectors responded to our request for engagement. Following up on those nine responses, we successfully held eight engagement meetings and scheduled a meeting for Q1 2022 with the remaining company.

In a second step, we identified leading companies in the technology sectors. The complexity of these industries' supply networks and the fact that biodiversity issues often appear at an n-tier supplier level pose additional challenges to addressing biodiversity loss. In addition, due to the size of the leading tech companies, we have less significant holdings. We wanted to explore how a discourse on biodiversity materiality and risk could take place under these conditions. Out of the eleven technology companies contacted, five responded and four meetings were scheduled. Three engagement meetings have already been held, and an additional meeting is scheduled for Q1 2022.

The overall positive response and the engagement meetings showed us that there is an increasing interest in the topic. This is also the case among companies where a direct link between their activities and biodiversity loss is often not immediately visible.

Status quo of biodiversity risk and materiality



Although there is an increasing interest in biodiversity loss, the results of our engagement meetings show that only 54% of the selected companies incorporate biodiversity at least partially in their materiality analysis. This figure drops to four out of eleven when we look at the consideration of biodiversity factors in the risk analysis. However, a positive observation is that 64% of the companies give at least partial consideration to their impact on biodiversity and 45% at least partially analyze their dependencies on biodiversity. It is important to note that during this pilot, we accepted a wide range of definitions of biodiversity, risk, and materiality.

The identification of impacts and dependencies was often limited to parts of the investee companies' direct operations and their supply networks that are currently under public scrutiny, for example deforestation in Southeast Asia. Projects were set up to address these issues: one example was a partnership with a conservation non-governmental organization (NGO) to reforest a natural park under strict biodiversity considerations. These beneficial projects, however, are currently disjointed and mainly address symptoms rather than causes. The reason seems to be that addressing biodiversity and extinction is not yet part of a holistic strategy connected with companies' business models.

When we take a closer look at the details of biodiversity projects, it becomes apparent that they are often positive "afterthoughts" of climate change mitigation projects. In other words, they are positive externalities of climate change projects. Therefore, while companies have started to implement processes and systems to measure impact and dependencies on climate change across operations and supply networks, this is not yet the case for biodiversity impact and dependencies.

The beneficial impacts of climate change mitigation projects on biodiversity are, of course, a positive development. However, the concept of "net zero" is more difficult to envision within the biodiversity context than it is with climate change. Simplistically put, a tree is perceived to capture CO₂ wherever it is planted. However, to capture its biodiversity, it is essential to account for the complex ecosystems that surround that tree; in other words, it is important where the tree is being planted and what kind of tree is being planted. Climate change mitigation projects should therefore be designed with biodiversity considerations and targets at the core. Otherwise, "netting" that ignores the interconnectedness between climate change and biodiversity loss and extinction can lead to a detrimental impact on biodiversity.

Interconnectedness of United Nations Sustainable Development Goals and biodiversity

The close link between climate change projects and biodiversity projects reveals a bigger challenge: the world is embedded in ecosystems and, consequently, biodiversity loss and extinction are interconnected with a large variety of the key challenges we are facing. This becomes most apparent when looking at the United Nations Sustainable Development Goals (SDGs):



Current negative trends in biodiversity and ecosystems will undermine progress towards 80% (35 out of 44) of the assessed targets of the Sustainable Development Goals related to poverty, hunger, health, water, cities, climate, oceans, and land (SDGs 1, 2, 3, 6, 11, 13, 14, and 15). Loss of biodiversity is therefore shown to be not only an environmental issue, but also a developmental, economic, security, social, and moral issue as well.¹⁴

This interconnectedness of biodiversity loss and extinction and these global challenges need to form the basis of companies' and risk analyses.

Measuring and reporting on biodiversity loss and extinction

The urgency of the topic is also reflected in the fact that key (regulatory) stakeholders are developing frameworks for disclosure, including but not limited to biodiversity working groups of the Taskforce on Nature-Related Financial Disclosures (TNFD), the EU Taxonomy, the Global Reporting Initiative (GRI), and the International Organization for Standardization (ISO), to name a few. The status quo is similar to the situation regarding climate change in the early 2010s: while there is no widely agreed or standardized framework in use, metrics and concepts are available that enable the implementation of pilot processes to measure the impact and dependencies of business activities and biodiversity loss and extinction. For example, GRI 304 provides a starting point for the operations.¹⁵

Conclusion of the pilot

Concluding our biodiversity engagement's pilot phase, we recognize an increasing interest in and awareness of biodiversity loss and its materiality to existing business models. We have seen well-designed projects addressing specific biodiversity issues and the role enablers can play. The case studies in this chapter highlight these positive developments. The interconnectedness of biodiversity with many of the challenges of our time adds complexity and urgency to the topic.

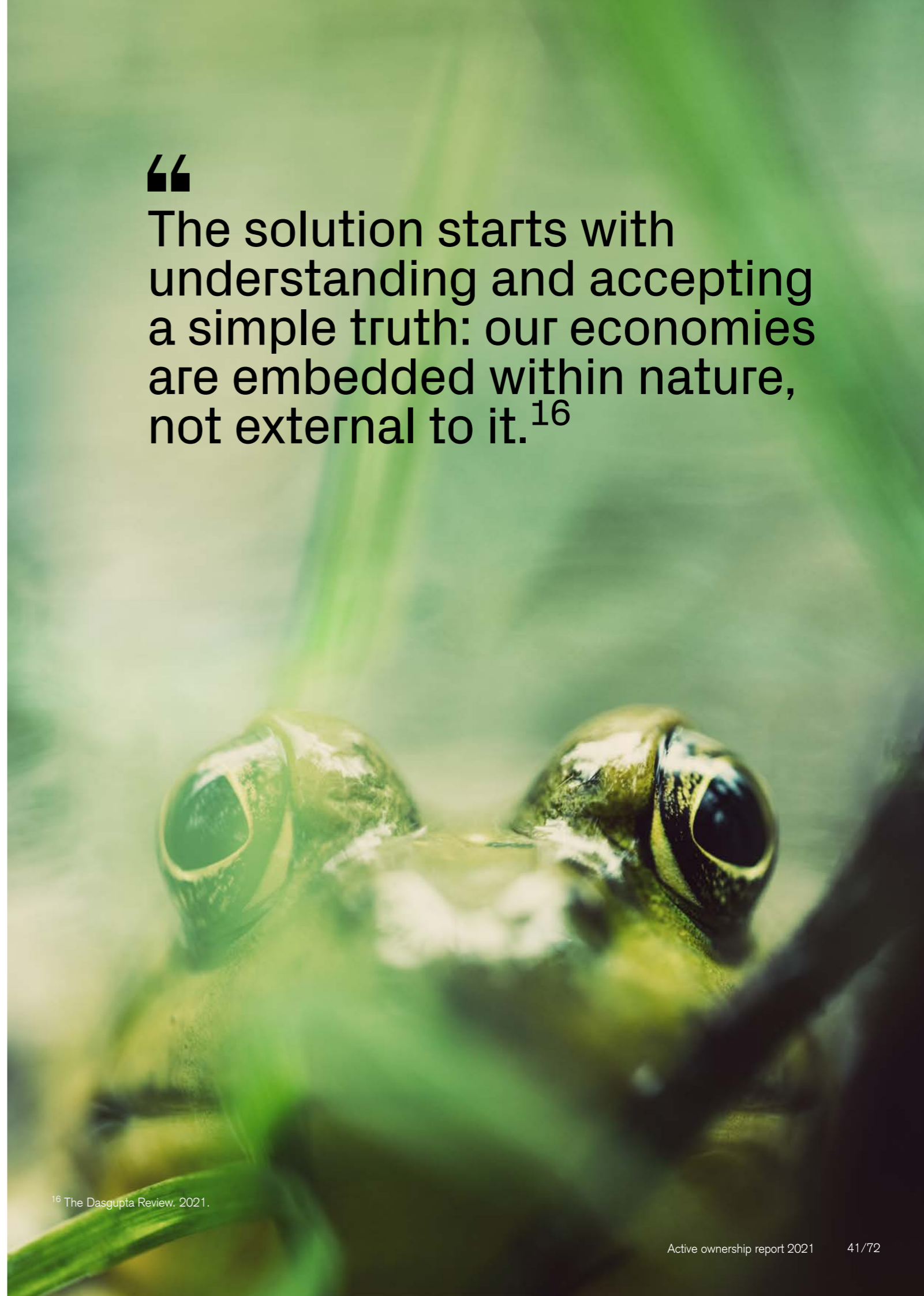


The solution starts with understanding and accepting a simple truth: our economies are embedded within nature, not external to it.¹⁶

¹⁴ IPBES press release. 2019. Media Release: Nature's Dangerous Decline "Unprecedented"; Species Extinction Rates "Accelerating".

¹⁵ A list of additional frameworks, concepts, and approaches can be found in Macpherson, M.N. and Biehl, C.F. 2022. Extinction Bonds: Addressing Biodiversity Issues through Sustainable Finance, Extinction Governance, Finance, and Accounting.

¹⁶ The Dasgupta Review. 2021.



01 | Case study From projects to strategy



Sector
Textiles, apparel,
and luxury goods



Region
Europe



Stage
Pilot

We decided to include this company in our engagement because we identified impacts and dependencies on biodiversity in terms of ecosystem services. The company is a leader in its industry in general and has started projects that have been well-received by NGOs in the field. The projects are designed to protect ecosystem services that the company has identified as “biodiversity dependencies.” In addition, the company is addressing climate change by implementing a science-based targets approach toward net zero.

There were two aims of the engagement meeting: first, to understand how the company is approaching the issue of biodiversity loss, and second, to discuss the current disclosure practices, which are very advanced with regard to climate change.

Conclusion
The engagement with the company was very productive, and we agreed to organize a second meeting with additional subject matter experts from the company. This will allow us to explore the projects in more depth.

During the engagement, it became clear that the company is involved in several well-designed projects addressing biodiversity loss. Going forward, we would like to see the projects be driven by a holistic biodiversity strategy across the company’s operations and its supply networks.

02 | Case study The role of enablers



Sector
Semiconductor
and related device
manufacturing



Regions
North America
and Europe



Stage
Pilot

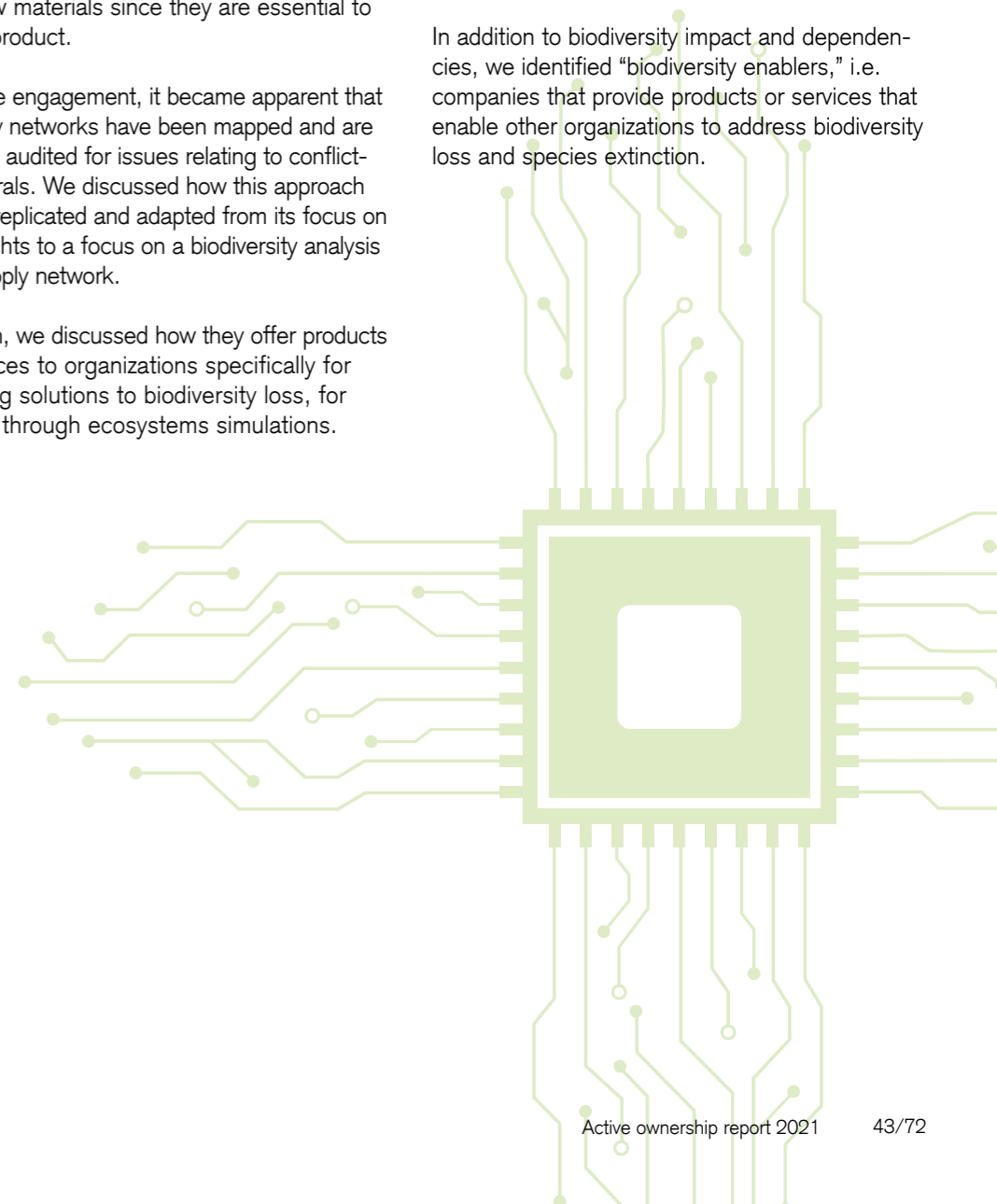
These hardware and/or software manufacturing companies were included in the pilot in order to discuss and explore the relationship between companies and their lower-tier suppliers in the supply network. The companies we engaged with do not have direct links to mining companies. Their suppliers, however, rely heavily on mined raw materials since they are essential to the final product.

During the engagement, it became apparent that the supply networks have been mapped and are frequently audited for issues relating to conflict-free minerals. We discussed how this approach could be replicated and adapted from its focus on human rights to a focus on a biodiversity analysis of the supply network.

In addition, we discussed how they offer products and services to organizations specifically for developing solutions to biodiversity loss, for example, through ecosystems simulations.

Conclusion
The companies demonstrated very good knowledge of their supply networks as a response to the conflict-free minerals movement. Going forward, we would like to see reporting on biodiversity similar to what we are currently seeing on metrics linked to conflict-free minerals.

In addition to biodiversity impact and dependencies, we identified “biodiversity enablers,” i.e. companies that provide products or services that enable other organizations to address biodiversity loss and species extinction.



3.2.2 Social: food loss and waste

Food loss and waste is a pressing issue of our time. Recent reports estimate that the UK food system was responsible for emitting nearly 160 metric tons of carbon dioxide equivalent in the UK and overseas in 2019 – around 35% of UK territorial emissions.¹⁷ According to the Swiss Federal Office for the Environment, 2.8 million tons of food is wasted in Switzerland each year. And according to the US Department of Agriculture, USD 161 billion worth of food was wasted or lost in 2010 (2010 was selected as the baseline year for estimating food loss and waste in the US).¹⁸



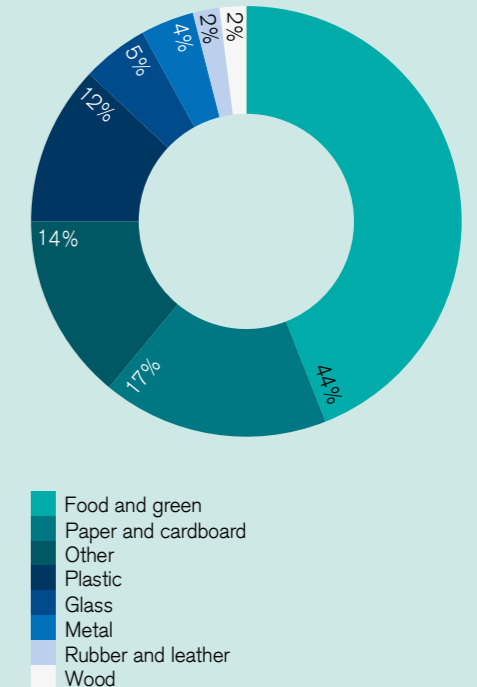
Our World in Data estimates that food loss and food waste account for 6% of global greenhouse gas emissions. If countries wish to deliver on their net zero ambitions and work toward SDG 2.3,¹⁹ greater efforts and well-targeted solutions are needed to reduce food loss and waste figures. Food loss and waste must be reduced for greater food security and environmental sustainability. Given the seriousness of this issue and the potential impact it has on global emissions, this thematic engagement plays an important role, and we plan to continue engaging with our investee companies on this topic.

“ If food loss and waste were its own country, it would be the third-largest greenhouse gas emitter.²⁰ ”

How much food loss and food waste are avoidable?

Food waste is unavoidable when certain elements of the food product – e.g. bones, shells, and certain skins – cannot be eaten. There are different interpretations about which food waste is unavoidable and which is not: some of the companies we engaged with included all food wasted (inedible and edible) in their estimates while other companies only took the edible parts into account. One could argue that all parts of food require resources along the production and supply chain and that all parts of it may become an issue for our planet. The Swiss Federal Office for the Environment estimates the total amount of avoidable food loss in Switzerland at around 715,000 tons per annum and the total loss at around 950,000 tons per annum. This means that a quarter of the total loss is unavoidable and comprises inedible components such as vegetable peelings or bones.²¹

Global waste composition²²



¹⁷ Price K. 2021. The Caterer. Around 35% of UK’s greenhouse gas emissions from food and drink.

¹⁸ US Department of Agriculture. Food Waste FAQs.

¹⁹ SDG 12.3: By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.

²⁰ FAO. 2015. Food wastage footprint & climate change.

²¹ Swiss Federal Office for the Environment (FOEN). Food waste.

²² Kaza, S. and Yao, L.C. What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050.



“Food waste” and “food loss”

do not mean quite the same thing. “Food loss” refers to food that is lost in early stages of production, e.g. during harvest, storage, and transportation. “Food waste” refers to finished food items fit for consumption that are wasted by consumers.

To drive long-term sustainable success, companies in the food sector need to have robust food loss and waste management strategies that include reduction goals over a period of time. The purpose should not only be a business case, although this often helps to convince management to commit resources to the cause, but should also focus on all stakeholders – shareholders, customers, employees, and society as a whole. When this purpose is there, the objectives create a path to a successful food waste management strategy and ensure that future decisions are made with this goal in mind.

We kicked off the pilot phase of our Food Loss and Waste (FLW) thematic engagement in 2020. In general, companies reacted positively when we approached them on the subject and emphasized that although it is a topic that they put a lot of effort into, investors and ESG rating agencies are often not interested in the details. Some companies have invested a large amount of resources in food loss solutions and initiatives over the past few years, yet there might only be one paragraph dedicated to that in their annual sustainability reports. This shows that this topic is not considered of particular interest to investors and other readers in spite of it being a global issue that is material to numerous companies and that is responsible for 6% of annual global carbon emissions.²³

Given this positive response, we continued the thematic engagement in 2021 and reached out to a longer list of those companies operating in the retailing, food-processing, distribution, beverage, hotel, and event catering industries over which we have a material influence and where we saw potential to exert an impact. The goal was to find out from those companies what their best practices and main obstacles are, what resources and frameworks are available, and to bring the topic to the attention of companies that had not yet moved forward with it. The point of this analysis was also to look deeper into the sustainability topic with companies where FLW was significant but may not always be reflected in ESG rating reports.

At a time when every industry faces a degree of uncertainty due to the ongoing pandemic, the disruption has also affected how companies look at food loss and food waste. COVID-19 has forced some companies to think differently about how they are approaching food waste management, and, in extreme cases, the pandemic has completely disrupted baseline and target setting, leaving companies with skewed data and significant data gaps. Given these constraints and the unpredictable externalities that companies are faced with, this year we will focus more on sharing best practices. We will extend the pilot stage of our engagement until after the pandemic is over because we fear that it would be counterproductive at this point in time to set hard KPIs.

Going forward, we will continue to seek further insights from companies, including via reporting related to their food loss and waste reduction targets and their food loss and waste management strategies.

We will look at the targets set and what kind of steps are in place to achieve them. We will consider the impact of the company’s culture and how these targets are part of the business’ whole purpose. And, hopefully, we will continue to hear from leaders about how they are helping their peers set similar targets and find ways toward achieving them.

Our current goals

 <p>Actively engaging for a reduction in food waste</p>	 <p>Sharing best practices</p>
 <p>Raising awareness of the problem</p>	 <p>Sharing the practical and innovative approaches that companies are implementing to reduce food waste at all stages of the value chain</p>

Goals going forward

 <p>Finding out what data companies are using for their approaches</p>	 <p>Finding out what materiality concepts companies are using to determine their baseline target for food loss and food waste reduction</p>
 <p>Encouraging companies to disclose and report on their food waste reduction efforts</p>	 <p>Target expectations on a company level</p>

²³ Hannah, R. 2020. Food waste is responsible for 6% of global greenhouse gas emissions - Our World in Data.

The impact of COVID-19

While the COVID-19 pandemic put the focus on protecting public health, the food supply chain was also impacted by the massive disruptions from farm to fork. These disruptions increased food waste for some supply chain actors, whereas others have not experienced this at all. Many companies we engaged with said they believed that the COVID-19 pandemic has brought the food waste issue to the forefront due to heightened awareness about the general topic and people around the world being confronted with the issue of food security. The food retailing sector emerged as the real winner during the pandemic as demand for restaurants decreased significantly. Many suppliers we spoke to had to shift their supply from the restaurant sector to the retailing sector in a very short time. While this may have been a struggle in the beginning, it meant that a lot of potential food waste was avoided by directing it toward retail.



Some companies noted that the pandemic resulted in them being more integrated with their suppliers and distributors due to the different working conditions and changes in the direction of food suppliers. Now that there is improved communication and stronger relationships between parties, this means that the floor is open to discuss topics such as food loss and food waste, an opportunity that did not exist before. Two retailers we engaged with mentioned that the pandemic caused them to have to plan carefully when it comes to stocking and inventory management, which resulted in a reduced amount of food waste.

The pandemic situation had (and continues to have) a huge negative impact on setting food waste targets. Some companies, especially those operating in the event and hotel industries, now have extremely skewed data to use for comparisons, for setting baseline expectations, and consequently, for setting measurable targets. This means that companies are delayed in their target setting mission.

One unfortunate situation caused by the pandemic was the major drop-off in food donations due to the lack of surplus food at restaurants and retailers. Urgent food bank appeals were heard across several countries where vulnerable, elderly, and low-income people were facing the threat of going without food. According to the European Food Banks Federation (FEBA), 80% of European food banks experienced an increase in food demand in March 2020, and 80% were also in need of additional funding to safeguard their activity.²⁴ As a result, FEBA launched an emergency fund in an effort to secure the activity of European food banks and called on corporations, foundations, and organizations to contribute to funding.²⁵ This situation raises the following questions: Should food waste be necessary to feed thousands of people in need every year? Should European food banks be responsible for recovering, collecting, sorting, storing, and redistributing food, or do we need another long-term solution here?

²⁴ EU Platform on Food Losses and Food Waste. 2020.
²⁵ The European Foodbank Federation. 2021. Social Emergency Fund – FEBA Campaign Portal.

Reducing food waste is the **single greatest solution** to fighting climate change



according to **Project Drawdown**, the leading organization dedicated to ranking climate solutions

Conclusion

Reducing food loss and food waste is an SDG target that has attracted the attention of governments, organizations, companies, and the general public around the world. Although we are seeing increased action aimed at mitigating the issue, there are still obstacles to overcome in order to reduce global food waste by half by 2030. The global pandemic, of course, has added further complexity to the issue. Companies have experienced setbacks in their baseline target setting due to large gaps in data caused by the interruptions to their businesses. Some companies have had to completely redirect their supply to other sectors due to the COVID-19 restrictions affecting restaurants, for example. Plus, many companies experienced major pressures in the food supply chain. Taking all of this into consideration, we have decided to extend the pilot phase for our food loss and waste thematic engagement and to refrain from setting KPIs with the companies until the disruptions caused by the pandemic are no longer a main focus for the companies.

The most relevant issue that appears to affect companies across all industries and sectors is gaining access to data that can be used to measure food loss and waste. The COVID-19 pandemic has added further volatility to existing datasets. Companies thus are struggling to define meaningful baseline expectations regarding food loss and waste. As a consequence, it is difficult for them to report data from an integrated perspective, which would also include food loss and waste that occurs in the supply chain. These quantification efforts need support from standardized methodologies and frameworks so that companies across the board can report comparable and relevant information. It is encouraging to see some of the big players taking the lead and working together with their peers to formulate robust methodologies to be used across their industries. Based on the results of our thematic engagement, we know that companies recognize the important role they play in reducing food loss and food waste, and we have tried to highlight this in our case studies and examples throughout.

Main challenges and best practices

Apart from the urgent need to analyze the causes of food loss and food waste along the supply chain and to establish suitable quantification methods, there are also other challenges and obstacles that companies are currently facing. There is still a lack of efficient strategies and frameworks at a macro level and a lack of studies on the actual drivers of food waste. Without them, it is difficult to take an integrated approach to the issue while taking into account the interdependencies between all the different stakeholders within the supply chain.

01 Consumer awareness

Challenge: The need to raise awareness among consumers is still a high priority. Companies see an immediate need to put more effort into food waste awareness campaigns aimed at consumers.

Action: One large retailer we engaged with has been putting a lot of effort into changing consumers' perception of edible products that do not look attractive, for example potatoes and carrots. In this way, food waste has been reduced at both the retailer and production level as consumers have become more amenable to purchasing these "unattractive" products.

The impact of COVID-19: According to the UNEP, 17% of all food at the consumer level gets wasted.²⁶ The pandemic has significantly affected people's food purchasing and consumption habits. Not only have fears of supply chain disruptions caused an increase in panic buying, but people have also been eating at home more often than ever due to lockdown measures and restaurant closures. These behavioral changes suggest that household food waste could increase during the pandemic, which means that awareness of the issue at the consumer level is more important than ever.

02 Measuring food loss and waste on a company level

Challenge: While numerous solutions are already available, the challenge for companies is choosing the right one for their needs. It does not help that there is not much guidance at the macro level, and there are still uncertainties regarding some approaches. This uncertainty around food waste quantification affects companies when they are trying to formulate the most efficient policies and strategies for reducing food waste. For results to be comparable across a sector, common reporting standards are a must.

Action: A large hotel group we engaged with was involved in creating a standard methodology for measuring food waste across hotel chains. This methodology provides a consistent way for hotels to set meaningful goals to reduce waste, to keep it

out of landfills, and to track progress against those goals over time. It is built on existing strategies that track waste and set targets, and it helps hotels to address common data gaps by harmonizing the different methods of data collection.²⁷ The participation of this hotel group plays an essential role in advancing the UN SDGs, and, when scaled, the methodology will help develop frameworks to support industry-wide benchmarking of waste.

The impact of COVID-19: The pandemic has left companies in certain sectors, such as the hotel and event industries, with completely skewed data and significant data gaps. The unfortunate result of this is delayed baseline and target setting for food waste reduction.

03 Measuring food loss and waste at the macro level

Challenge: The potential for reducing food waste is often still overlooked, and the issue is rarely prioritized on a regulatory level. Because of this, the true scale of the impacts of food loss and food waste is not well understood, and the only reliable data we currently have comes from a small number of companies and players.

Action: Many companies across different industries join food waste initiatives and associations for guidance. Some of the most commonly mentioned bodies are [United Against Food Waste](#), [WWF Food Waste Initiative](#), [Upcycling Food Association \(UFA\)](#), [WRAP](#), [Consumer Goods Forum](#), and the [UN Technical Platform on the Measurement and Reduction of Food Loss and Waste](#). These associations aim to support companies in cutting food waste in half and promote an innovative and future-oriented food industry. [Friends of Champions 12.3](#) is a coalition of executives, governments, businesses, international organizations, research

institutions, farmer groups, and leaders from civil society dedicated to inspiring ambition, mobilizing action, and accelerating progress toward achieving SDG 12.3 by 2030.²⁸ It does this by leading by example and pursuing strategies to measure and reduce food loss and waste, and by showcasing the successes to raise public awareness, which in the end educates and motivates others.

The impact of COVID-19: The pandemic and lockdowns have drawn attention to our reliance on complex food supply chains and the consequences of disruptions to them. The EU imports around half of its food from outside the EU, which again highlights the dependence on global interconnections for our food supply. The situation has prompted EU politicians to address this unsustainable food system, whose current setup produces large volumes of food waste, and to call for a behavior change in governments across Europe.²⁹



Food waste reduction offers multi-faceted wins for people and planet, improving food security, addressing climate change, saving money, and reducing pressures on land, water, biodiversity, and waste management systems.

United Nations Environment Programme (UNEP), 2021

²⁶ UN Environment Program. 2021. 17% of all food available at consumer levels is wasted.

²⁷ McCarthy S. 2021. WWF and Greenview Unveil Methodology to Measure Waste Across Hotel Chains.

²⁸ Champions 12.3. 2021. Friends of Champions.

²⁹ Whiting, A. 2020. Q&A: COVID-19 pandemic highlights urgent need to change Europe's food system | Research and Innovation.

04 Change management/ raising awareness

Challenge: Human error that results in overproduction, lack of time to make accurate measurements, and a general lack of awareness on the part of employees are all examples of this.

Action: Several companies have added food waste management to their staff onboarding training and ongoing trainings.

The impact of COVID-19: During the pandemic, social distancing emerged as a key restriction, which for many organizations meant that employees were required to work from home. These changes in the way we work have meant that the training of employees has had to move online. It has been shown that employee engagement may not always be the same when development initiatives are introduced online.³⁰

05 Extending shelf life

Challenge: Finding suitable packaging or novel technologies to make food safe from spoilage for an extended period of time without compromising the quality or flavor of the food while at the same time keeping environmental goals in mind is a huge challenge for food industries.

Action: One of the world's biggest breweries uses various seed varieties when growing its barley, which helps the crops to avoid catching diseases and, in the end, prevents food loss on a grand scale.

The impact of COVID-19: According to a poll conducted by Michigan State University in 2021, among the half of respondents (50%) who reported that the pandemic has changed the way they purchase and store food, 51% reported that they now seek out foods with a long shelf life.³¹ Longer shelf life means fewer trips to grocery stores and the possibility of storing more food at home. This behavior change is a direct result of the pandemic and reflects the need for suitable packaging in order to reduce food waste at the consumer level.

“

The hotel industry has the unique ability to implement changes that will have global impacts when it comes to managing food waste, and all waste. This new methodology has the potential to be an industry game changer – putting the power of prevention in the hands of hotels while creating a common industry-wide method to revolutionize the way we manage and measure waste.

Pete Pearson,
Global Food Loss and Waste Lead, World Wildlife Fund



³⁰ Mikołajczyk, K. 2021. Changes in the approach to employee development in organizations as a result of the COVID-19 pandemic. European Journal of Training and Development.

³¹ Whetstone, H. 2021. Latest MSU Food Literacy and Engagement Poll reveals COVID-19 has impacted food access for nearly one-third of Americans.

01 | Case study

Strong commitment to food waste reduction



Sector
Hotels and travel



Region
Global



Stage
Ongoing

Due to its large global presence, we identified this company as one that has an even greater obligation to lead the way responsibly and to take the lead within its industry on the topic of food waste. So far, we have held two meetings with this company, in 2020 and again in 2021, to track its progress on achieving its ambitious food waste target – this hotel operator was the first to publicly commit to the 50% food waste goal by 2025.

The WWF views the hotel industry as an important partner in helping to achieve SDG 12.3 given that 40% of food waste in the US comes from consumer-facing businesses like hotels and restaurants. While the hotel industry has made great strides in recent years in preventing and diverting food waste, without a standardized measurement methodology and framework in place, industry-wide food waste reduction has presented challenges. Last year, this company along with other leading hotel brands worked with the WWF and a global sustainability consulting group on defining a methodology that could be used across the hotel industry.

This common approach, which was unveiled in September 2021, will help hotels to collect and measure data, including on total food waste generated and the food waste diversion rate, and to report waste in a consistent way. This will allow hotels to set meaningful goals to reduce waste and set targets, and will address common data gaps and challenges. The common food waste metrics and definitions will ensure that the waste data is comparable across hotels, which will help investors to identify the leaders and the laggards.

Conclusion

The participation of this well-positioned hotel operator in an important food loss and waste reduction initiative has strongly contributed to efforts aimed at achieving the UN SDGs and helping other hotels that may be lagging in implementing food waste initiatives. It is clear that the company understands the issue of food loss and food waste very well, and the dialogue with the sustainability experts has been positive and open.

02 | Case study

Leading environmental and social risk mitigation programs



Sector
Food products



Region
Europe



Stage
Ongoing

As one of the world's largest food and beverage producers, this company is often cited as one of the world's worst plastic polluters. However, when it comes to food loss and food waste, the company has reported that it has achieved its food waste goals, with 95% of its sites sending waste to disposal. This company collaborates with industry peers to ensure that more food gets from field to table, and it has made huge advancements with its own internal processes. Hence, its focus has turned upstream to farmers and suppliers and downstream to consumers.

A subsidiary of the company recently committed to Too Good To Go's Consumption Dates Pact, which aims to harmonize "consume by" dates across products and industries, revise the use of minimum durability dates, strengthen consumer education and awareness, and relax contractual rules between manufacturers and distributors. The company has recognized the need for date labels to be clearer and has already taken steps toward resolving confusion regarding consumption dates on several of its products. Since 49% of Europeans think that better and clearer information on the meaning of "best before" and "use by" dates would help them waste less food at home,³² this is a welcome addition to the company's food waste reduction strategy.

Conclusion

Understanding consumer attitudes, behaviors, and knowledge related to food waste is critical to advancing sustainable food systems. This company has already taken steps to gauge the lack of knowledge at the consumer level and has used its findings to better inform its solutions and consumer social awareness marketing approaches. Since it is one of the largest food companies and given its commitment to Champions 12.3, we will continue to monitor how it leads by example on how to reduce food waste at the consumer level and how it motivates other industry players to meet their food waste reduction targets.

“ Expiry dates are responsible for 10% of the 88 million tons of food wasted across the value chain in Europe.

WRAP, 2015

³² Directorate-General for Communication. 2015. Flash Eurobarometer 425: Food waste and date marking.

3.2.3 Governance

For thematic engagement on corporate governance, we combined the focus topics of 2019 and 2020. The first of these covered the independence of the board of directors (BoD) and other crucial deliberative bodies, particularly audit and compensation committees, and the second focused on an appropriate compensation structure for executive boards and BoDs. When exercising our proxy voting rights last year, we came across numerous companies that did not meet our requirements in one or both of these areas.

With regard to the independence of the individual bodies, this applies not only to the BoD as a whole, but also to the audit and compensation committees, whose independence is crucial to us. In some countries, majority or complete independence may also be required for the nomination committee. First, it is our fiduciary duty to ensure the independence of those bodies, and second, an independent BoD is key to the economic success of a company. Business strategies get adjusted much more often these days than they did a few years ago and, as a consequence, changes to executive management personnel (CEO, CFO, etc.) occur more frequently than in the past. BoD independence is an important bulwark against potential questionable developments in this area.

In the matter of compensation structure, we focused our attention on companies that did not have a suitable incentive plan in place for their executive board members. Our requirement for such plans is that they must be robust and long-term, based exclusively on measurable performance targets (no time vesting), and have a three-year vesting period. In addition, long-term funding must have been secured for them. We were also critical of performance measurements that strip out “exceptional items” that, in fact, were part of a normal business cycle. Furthermore, we continue to take a negative view on discretionary special payments. We continue to disapprove of any variable compensation – particularly stock options – for BoD members.

Engagements in Europe and, for the first time, in the US

In the summer of 2021, we identified numerous companies that were candidates for engagement. In the end, we contacted 43 companies that stood out for us. With repeated requests and a degree of persistence, we succeeded in engaging with all of them or in continuing the engagement from the previous two years. One company initially turned us down, but the chairman of the board later reversed his decision and accepted the invitation to engage in a dialogue. We were already in contact with a total of eleven companies in 2019 or 2020, which we continued last year while incorporating new aspects. A total of 26 companies are based in Switzerland, 17 in other European countries, and a small number in the US. We held the discussions in the third and fourth quarters of 2021.

In most cases, we discussed our concerns with the BoD chairperson or the head of the BoD’s compensation committee. In other cases, we spoke with the CEO and/or the CFO, the general secretary of the BoD, and/or those responsible for the legal department, or with human resources and

investor relations officers. Due to the pandemic, we held only three meetings on site in Switzerland. More on-site meetings would have been possible in principle, but many companies preferred an online meeting.

Independence of the BoD and of committees

We discussed the issue of the independence of the BoD as an overall body with a strikingly large number of German companies. In doing so, we took into account the fact that employee representatives are delegated to the supervisory board. However, they are not included in our calculation of independence. Nevertheless, we established that the majority independence requirement was rarely met. Similarly, we found that at German companies, the compensation committee is treated as equivalent to the executive committee, which in turn does not have the required independence. In our discussions, we emphasized the importance of independence and why there is, at best, a certain lack of trust in the company. Particularly with regard to compensation issues for the chairperson of the supervisory board, we are faced with the question of “checks and balances,” i.e. establishing and maintaining the independence of responsible corporate bodies. If the chairperson of the supervisory board also chairs the compensation committee, the level of their compensation may not be scrutinized as critically or independently as it should be. The compensation committee should therefore be authorized to specify this. The full supervisory board then votes on the budgets, yet the experts at the committee level may not be sufficiently independent. As shareholders who have to approve those budgets at the annual general meeting, we rely on the internal expertise being sound and free of potential conflicts of interests. These points were only partially taken on board. The first improvements can therefore be expected with the invitations to the next annual general meetings (AGM) and the corresponding elections at the earliest.

Compensation structure for members of executive boards and BoDs

Regarding compensation issues, we noted, as we have before, that in some cases, long-term incentive plans (LTIPs) are not in place or there is no LTIP in the proper sense. There is often variable compensation in the form of shares, but there is no alignment with predefined KPIs, or the LTIP does not have the required three-year performance measurement and associated vesting period. If the latter case applies, the compensation is in effect equivalent to variable short-term compensation, which generally should be covered by a short-term incentive plan (STIP). The lack of long-term measurement effectively cross-subsidizes short-term compensation at the expense of deferred long-term compensation. This can lead to misaligned incentives for management and excessive short-term risk-taking. This is a problem that we are seeing primarily in small and mid caps. In the case of large caps, LTIPs are well established,

and we found that best practices met our requirements. During the discussions, we noted a certain need for clarification in order to make our concerns heard – and, unfortunately, at times we also encountered the stance that the decision of the BoD is sacrosanct and no further development is needed, or that this would otherwise only contribute to a general increase in wages. For us, this means that we will continue the dialogue with the companies concerned, but will only be able to give our endorsement to future agenda items within the framework of our voting methodology.

Once again, at numerous German companies, we found that although there is an LTIP based on performance measurement over four years, the compensation is paid out in cash rather than shares at the end of this period. This clearly contradicts European best practices. The reason for this practice is tax-related because the tax burden in Germany is incurred as soon as the payment is granted. This circumstance must be taken into account, especially since the payments to the tax office by the persons concerned are indeed considerable. However, we also came across some highly positive approaches to solving the problem. These include enabling the amount paid out after the end of the assessment period less the tax burden to be reinvested in shares of the company concerned. This approach achieves precisely the intended objective, namely that management has a material interest in its own company for which it is responsible.

Another aspect of the LTIP that we find problematic is the staggered payout if it begins before the third year. Almost all companies award their management short-term variable compensation; therefore, by analogy, the LTIP should be geared to the long term. If the payout is staggered over less than three years, management may be too heavily focused on the short term, which often results in higher risks. Similarly, the staggered payout is effectively a shift from the long-term to the short-term compensation plan, which we view as a hidden cross-subsidy. We also discussed this situation with some BoD members. We found, however, that this form of compensation is frequently used in North America. Even though



our point is understood, most companies are reluctant to change their practices, partly because of competitive considerations and partly to retain key employees or attract talent. There is disagreement here based on conceptual considerations. The issue might be due to cultural differences.

The COVID-19 pandemic also had an impact on the measurement of variable compensation for many executive boards, as targets set in the LTIP were rarely met. In the 2020 compensation reports, we noted many adjustments regarding discretionary compensation that were made by the compensation committees without establishing any quantitative reference. These payments often served as a substitute for the lost LTIP compensation. They were made in cash or in shares that did not have a three-year vesting period. We therefore initiated an engagement with companies in which we hold sizable positions. We wanted to understand why these extraordinary and unsystematic bonuses were necessary and why the LTIP plans had to be overridden here. Basically, we were able to identify a “continental” break here as well. In Europe, such premiums were granted very cautiously and tended to be deferred, while in North America, this form was applied far more widely. We had a number of discussions about this. The reasons given focused on the same issues, with reference being made to the fierce competition for talent, the apparent unwillingness to at least defer the payment of such premiums, and evidence of a certain entitlement not to have

to accept major losses in variable compensation even in bad years. Here, too, there is also conceptual disagreement.

Medium- to long-term time horizon

We will continue to actively follow developments on these issues. For some of the companies, we carried out our second or third engagement last year. Our internal database is growing, allowing us to continue tracking our KPIs in line with our voting methodology. The reporting in the annual and compensation reports serves this purpose. We pursue medium- to longer-term goals. Accordingly, we generally accompany companies over an extended period during which we regularly review progress made in achieving targets and maintain a dialogue with the companies. Further information can be found in section 4 (Outlook).



01 | Case study

A focus on critical bodies



Sector
Specialty technology



Region
Europe



Stage
Ongoing

We decided to include this company in our engagement activities because we identified several issues during proxy voting. This ultimately meant that we could not support the company on all of the voting items on the agenda. Since elections were not part of the agenda and we had identified critical items, we proactively engaged with the company ahead of the upcoming elections. Among the items discussed were the lack of independence on the board of directors (BoD) and in critical committees, a cash settlement of the LTIP, and the fact that BoD members were not invested in the company.

Regarding the BoD's overall lack of independence: In Germany, we do not count employee representatives on the board. However, the majority of freely elected members need to be independent. In the case of this company, there were people on the board with more than 12 years of tenure. This means that, by definition, they have lost their independence. This point was well understood during our engagement. In addition, one board member had a transactional relationship with the company – he was working for a customer in a very senior role. This point was also understood. During the course of the year, we learned that the respective business unit was sold, so the transactional relationship no longer applies.

Regarding the compensation committees: The company has an HR committee, which has a slightly different function than the compensation committee. Given the dominance of staff representatives on the BoD, we could not find a solution for the time being. However, it needs to be highlighted that our concerns were well understood.

Cash settlement of the LTIP is a common practice in Germany. We wanted to know why executive management members should reinvest their net proceeds after taxation (which is a substantial deduction in Germany) into equity. This point was understood and will be revisited in board discussions.

The BoD members are not invested in shares of the company. Past German court rulings on transactions by board members of other companies have been strict and have caused a lot of concern among BoD members. We intend to further investigate this topic to see if there is a way to align it with European best practices.

Conclusion

Our engagement with the company was very productive. We have already had a follow-up call. We expect to see changes proposed by the BoD at the upcoming AGM. Here we are aiming for a distinct improvement in the independence of the electable members. We will monitor developments regarding the LTIP and shareholdings of the executive management.



One example of individual engagement conducted by the ESG team is entering into dialogue with companies in which we are invested through our funds, but which are poorly covered or not covered at all by ESG data providers that provide input to our analyses.



For those of our funds bearing the Towards Sustainability label, we engage with investee companies that are not covered by our ESG data providers (MSCI and RepRisk) and with companies that have poor ESG ratings. For the companies with no coverage, engagement is specifically motivated by a lack of ESG ratings and information. In this case, our first step is to send out an ESG questionnaire that contains data and information points similar to those included in MSCI ESG reports. Having these questionnaires and this ESG information is crucial because it means that we no longer have ESG information gaps about companies that the funds invest in. There are two main reasons why a company may not be covered by our ESG data providers: the company may recently have gone public, or the company may be very small.



If a company has a low ESG score, we engage with it to see if there are any ways in which we can help it improve its rating and to gain some insights about the activities that may be affecting its rating. Small and midsize enterprises in particular are overwhelmed at times by questionnaires from data providers. Their lack of a timely response may result in a low rating despite the company's good ESG performance. In some cases, we managed to identify potential improvement areas that led to a rating upgrade. For example, when we analyzed the MSCI ESG report with one company and pointed out missing policies that were flagged by MSCI ESG, the company realized that the policies were not actually missing; it just had not disclosed them on its website. Our engagement can thus help a company spot gaps in its ESG disclosures, which in turn enhances its communication with investors and third-party rating agencies. It also gives the company a chance to better understand its investors' expectations regarding ESG disclosure and communication.

3.3 Individual engagements

Our individual engagements include dialogues on company or fund-specific issues such as frequent changes to executive management personnel, fines in connection with labor law violations, or environmental offenses. The ESG team, alone or together with our fund portfolio managers, conducted a total of 18 such engagements in 2021. In addition, our Thematic Equity team conducted another 185 engagements (Digital Health Fund, Edutainment Fund, Environmental Impact Fund, Robotics Fund, Security Fund, and Thematic Opportunities Fund). Further information is provided separately in each fund's annual report.

3.4 Engagement in relation to proxy voting

We view proxy voting not as an isolated action, but as part of the engagement process. Over the course of 2021, we held a total of 28 meetings with BoD members, almost exclusively one-on-one meetings with chairpersons and/or lead independent directors, in which we discussed our proxy voting principles and framework. During those meetings, we explained our proxy voting behavior at the last annual general meeting and highlighted the agenda items that we did not support. We openly explained what led us to our stances. The corporate representatives on the other side generally pointed out improvements that were planned or already completed and explained their take on certain voting outcomes.

3.5 Public policy engagement

Public policy engagement is generally not short-term in nature, but rather takes a long-term view. This is one of the reasons why Credit Suisse (including Credit Suisse Asset Management) has actively followed the development of the European Union (EU) Sustainable Finance regulatory framework, namely the implementation of the 2018 EU Action Plan on Sustainable Finance and the 2021 Strategy for Financing the Transition to a Sustainable Economy. Among other things, these provide for the establishment of a framework for standardized definitions of environmentally sustainable investments (EU Taxonomy Regulation), for the development of sustainable benchmarks that are in line with the Paris Climate Agreement (EU Low-Carbon

Benchmark Regulation), and lay a common groundwork for disclosure requirements at both the entity and product levels (EU Sustainable Finance Disclosure Regulation and EU Corporate Sustainability Reporting Directive Draft). We are convinced that new rules should appropriately take the dynamic developments in the field of sustainable investing into consideration.

Furthermore, Credit Suisse is part of various working groups on the topic of sustainable finance in relevant industry associations both in our home market of Switzerland and in other jurisdictions, as well as on an international level. In this context, we also continue to be a member of the United Nations Principles for Responsible Investment (UN PRI) Global Policy Reference Group.



3.6 Companies we engaged with in 2021

ABB Ltd	Dufry AG	Microsoft Corporation
AbCellera Biologics Inc	Duerr AG	Mobimo Holding AG
Accor SA	EDP Renovaveis SA	Mowi ASA
Alcon AG	Evelo Biosciences Inc	Muenchener Rueckversicherungs-Gesellschaft AG
Alstria office REIT-AG	Evolent Health Inc	Nestle SA
American Well Corp	FD Technologies PLC	Nevro Corp
ARYZTA AG	Flughafen Zürich AG	Novartis AG
ASML Holding N.V.	Galenica AG	NVIDIA Corp
AstraZeneca PLC	GAM Holding AG	Orior AG
Atlantica Sustainable Infrastructure PLC	GEA Group AG	Polyphor AG
Australian Agricultural Company Ltd	Georg Fischer AG	Prosegur, Compania de Seguridad SA
Baloise Holding AG	GSX Techedu Inc.	Qiagen N.V.
Barry Callebaut AG	Heineken N.V.	Radware Ltd
Basilea Pharmaceutica AG	Hellofresh SE	Schweiter Technologies AG
BE Semiconductor Industries N.V.	Hexagon Purus ASA	Sensirion Holding AG
Belimo Holding AG	Holcim Ltd.	Shop Apotheke Europe N.V.
Bell Food Group AG	Huron Consulting Group Inc	Siemens Gamesa Renewable Energy SA
Bilfinger SE	Idp Education Ltd	SIG Combibloc Group AG
Biocartis Group N.V.	Implenia AG	Sika AG
BKW AG	Ina Invest Holding AG	Sonova Holding AG
Bossard Holding AG	INFICON Holding AG	Splunk Inc
Britvic Plc	Informa PLC	Swiss Prime Site AG
Bureau Veritas SA	Jenoptik AG	Stride Inc
Bystronic AG	Kerry Group PLC	Swiss Re AG
CALIDA Holding AG	Komax Holding AG	SYSCO Corporation
Chroma Ate Inc.	Kurita Water Industries Ltd	Temenos AG
Compagnie Financiere Richemont SA	Kuros Biosciences AG	Tesco PLC
Compass Group PLC	Linde PLC	Valora Holding AG
Credit Suisse Group AG	LivePerson, Inc	VAT Group AG
Daetwyler Holding AG	Logitech International SA	Voltronic Power Technology Corp
Dalata Hotel Group PLC	Lonza Group AG	Vonovia SE
Danone SA	Marel hf.	Zur Rose Group AG
Del Monte Pacific Limited	Marriott International Inc	Zurich Insurance Group AG
Deutsche Boerse AG	Masimo Corporation	
Dormakaba Holding AG	Metro AG	



The individual companies mentioned on this page are not intended as a solicitation or an investment recommendation.

Outlook

We are proud of the progress and results we were able to achieve with the expansion of our active ownership activities in 2021. We have again set ourselves new, ambitious targets for 2022. In the following subsections, we briefly highlight the activities on which we are focusing this year in terms of proxy voting as well as thematic and political engagement.

For two years now, our engagements have been overshadowed by the global COVID-19 pandemic. Its impact on the companies in which we hold investments through our fund holdings is evident in our dialogue with executives. As a

good steward and responsible stakeholder, it is our duty within the framework of active ownership to focus on sustainable long-term success. Confrontational demands for short-term changes in times of crisis would be counterproductive.

We have therefore decided to focus on constructive dialogue with companies. This established exchange and the information gained will enable us to work with company leaders on developing KPIs and a timeline for our engagements in the post-COVID-19 phase. These efforts are supported by the further expansion of our proxy voting.



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



4.1 Proxy voting

Since the beginning of 2022, we have been working in close collaboration with internal and external partners to cover our first two emerging markets, China and Taiwan, in addition to the countries we already cover. The first important interim goal was to draw up very robust sets of rules. We will systematically and actively exercise our voting rights in companies in which we hold substantial equity positions.

We also plan to significantly reduce our materiality limit in the countries we already cover. This limit denotes the threshold that an individual equity investment in a fund must exceed in order for us to exercise our voting rights in this regard, not only for this individual item, but for all corresponding investments in all of our funds.

With these two steps, we will significantly expand our global coverage even further. This poses challenges in the value chain that extend all the way to custodian banks and companies. However, we are confident that we will find solutions that will enable us to fully expand our proxy voting and engagement activities to include the planned additional coverage.

As in the previous year, we reviewed the existing voting methodologies for all regions at the end of 2021 and adapted them and/or defined them more precisely in line with current developments. To this end, we exchanged ideas with our internal partners and discussed the proposals we have developed. The adjustments were moderate on the whole, and we are leaving the fundamental parameters unchanged for 2022.

4.2 Thematic engagement

Our thematic engagement efforts will continue to concentrate on the environmental, social, and governance aspects that we have been concerned with thus far. Our goal is to further increase the number of companies with which we are in contact and to continue discussions with the companies we have engaged with over the last few years.



4.2.1 Environment

Climate change and publicly traded real estate companies

Publicly traded real estate companies' strong commitment to pursuing best practices in sustainable development is crucial to achieving the Sustainable Development Goals (SDGs). The real estate market today values sustainability more than ever before, and topics such as embodied carbon and smart building technology have become as fundamental as energy efficiency and lower carbon emissions. This all presents new opportunities for real estate developers to lead positive change and position the built environment as part of the solution to the many climate-related challenges we are faced with today.



Biodiversity

Our biodiversity engagement is set up in stages: the pilot stage was completed in 2021, and the next stage of the engagement will run from 2022 until 2024. Going forward, we will address the current lack of information on biodiversity loss and extinction. This will include a dialogue on biodiversity and extinction reporting, i.e. the identification of KPIs and the reporting of sustainable performance targets on biodiversity. The engagement will take into consideration and align with developments in the wider regulatory space.



4.2.2 Social: food loss and waste

This was the second stage of our pilot thematic engagement on food loss and waste. Going forward, and once the disruptions of the COVID-19 pandemic have subsided, we would expect more companies to start disclosing and reporting on their food waste reduction efforts. We hope that our interest in the topic will inspire companies to share more about their approaches to reducing food loss and food waste. We will continue our dialogues with the companies and expect that this active engagement will continue to highlight best practices and awareness of the food loss and food waste issue. The ongoing engagement will take into consideration and align with evolving industry methodologies and best practices, and will take developments in the COVID-19 pandemic into account.



4.2.3 Governance

In terms of corporate governance, we are continuing the activities initiated in previous years. First, we are focusing on ensuring the independence of BoDs and other crucial deliberative bodies, particularly audit and compensation committees. In this respect, we see a particular need for dialogue with BoDs of SMEs. Here, we will not only build upon existing engagements, but will also target new companies.

Second, we continue to address our commitment to an appropriate compensation structure for executive boards and BoDs. Given our aforementioned low level of support for executive compensation proposals at AGMs, we perceive as great a need as ever to seek dialogue on this matter with decision-makers, especially the heads of compensation committees. We will continue to focus our attention on companies that do not have a suitable incentive plan in place for their executive board members. Our requirement for such plans is that they must be robust and long-term, based exclusively on measurable performance targets (no time vesting), and have a three-year assessment period. In addition, long-term funding must be secured for them. We are also critical of performance measurements that strip out "exceptional items" that are in fact part of a normal business cycle. Furthermore, we still take a negative view on discretionary special payments. We continue to disapprove of any variable compensation – particularly stock options – for BoD members.

4.3 Public policy engagement

We will continue to participate in several working groups and associations to improve and share best practices in the financial market with regard to sustainable investing. In addition, we will continue to closely monitor the implementation of the EU Action Plan on Sustainable Finance and the related EU Strategy for Financing the Transition to a Sustainable Economy, which will fundamentally influence the way sustainability is considered in the investment world. The focus in 2022 will remain on the implementation of the EU Sustainable Finance Disclosure Regulation (SFDR) while incrementally shifting toward EU Taxonomy considerations after the EU Taxonomy for climate change mitigation and adaptation objectives came into effect on January 1, 2022.

4.4 ESG integration

We are committed to continuing to develop our ESG Integration Framework. We continue to support our diverse client base in navigating the uncertain sustainable investment landscape while seeking to effect positive change. To help determine which companies will thrive and which ones will not, we will continue to enhance our sustainable investment capabilities around ESG integration. While strengthening all of the above pillars, two focus areas will be ESG data and disclosure.

Credit Suisse Asset Management continues to focus on the availability, reliability, accuracy, and suitability of ESG data. With industry voices calling for oversight of ESG ratings and data providers, methodologies and sources of ESG data are expected to become more transparent.³³ In addition, global standards for corporate ESG reporting, such as the formation of the International Sustainability Standards Board by the International Financial Reporting Standards Foundation, may pave the way to higher quality and comparability of ESG data.³⁴

With the implementation of more standardized sustainability-related disclosures in 2022/23, the focus will shift from company-level to fund-level transparency (e.g. to SFDR and EU Taxonomy) and specific regional disclosure requirements such as on climate change. A consistent framework and governance across the investment value chain and investment strategies will be key to providing transparency to clients and guiding them on their sustainable investment journey.



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

³³ IOSCO. 2021. Media Release: IOSCO calls for oversight of ESG Ratings and Data Product Providers.

³⁴ IFRS. 2021. Media Release on International Sustainability Standards Board.

Imprint

Authors

Dr. Christoph Biehl
Jeroen Bos
Emma Farrell
Jacqueline Oh
Thomas Schär
Stephan R. Scharrer
Jelle Schilling

Project management

Franziska Liebich
Joanna Stasto

Design

Tomasz Nowak



Contacts

Head of ESG

Dominik Scheck

dominik.scheck@credit-suisse.com
+41 44 333 66 14

csam.esg@credit-suisse.com

Head of Active Ownership

Stephan R. Scharrer

stephan.scharrer@credit-suisse.com
+41 44 333 73 93

Follow us on
LinkedIn

Follow us on
Twitter



More information is available at credit-suisse.com/am/esg

For further information about the Sustainable Investing Policy, please visit credit-suisse.com/esg

**CREDIT SUISSE ASSET MANAGEMENT (Switzerland) Ltd.,
CREDIT SUISSE AG, CREDIT SUISSE (Switzerland) Ltd.**

Source: Credit Suisse, unless otherwise specified.

Unless noted otherwise, all illustrations in this document were produced by Credit Suisse Group AG and/or its affiliates with the greatest of care and to the best of its knowledge and belief.

Switzerland, ADGM, Argentina, Austria, Bahamas, Bahrain, Belgium, Bolivia, Brazil, Czech Republic, Chile, Colombia, Costa Rica, Cyprus, Denmark, DIFC, Dominican Republic, Ecuador, Egypt, Finland, France, Ghana, Greece, Honduras, Hungary, Israel, Italy, Jordan, Kazakhstan, Kenya, Kuwait, Lebanon, Liechtenstein, Luxembourg, Mexico, Monaco, Netherlands, Nicaragua, Nigeria, Norway, Oman, Qatar, Pakistan, Panama, Paraguay, Peru, Poland, Romania, Russia, Saudi Arabia, Slovak Republic, Spain, Sweden, Tanzania, Turkey, UAE, Ukraine, Uruguay, Venezuela.

This material constitutes marketing material of Credit Suisse Group AG and/or its affiliates (hereafter "CS"). This material does not constitute or form part of an offer or invitation to issue or sell, or of a solicitation of an offer to subscribe or buy, any securities or other financial instruments, or enter into any other financial transaction, nor does it constitute an inducement or incitement to participate in any product, offering or investment. Nothing in this material constitutes investment research or investment advice and may not be relied upon. It is not tailored to your individual circumstances, or otherwise constitutes a personal recommendation. The information and views expressed herein are those of CS at the time of writing and are subject to change at any time without notice. They are derived from sources believed to be reliable. CS provides no guarantee with regard to the content and completeness of the information and where legally possible does not accept any liability for losses that might arise from making use of the information. If nothing is indicated to the contrary, all figures are unaudited. The information provided herein is for the exclusive use of the recipient. The information provided in this material may change after the date of this material without notice and CS has no obligation to update the information. This material may contain information that is licensed and/or protected under intellectual property rights of the licensors and property right holders. Nothing in this material shall be construed to impose any liability on the licensors or property right holders. Unauthorised copying of the information of the licensors or property right holders is strictly prohibited. This material may not be forwarded or distributed to any other person and may not be reproduced. Any forwarding, distribution or reproduction is unauthorized and may result in a violation of the U.S. Securities Act of 1933, as amended (the "Securities Act"). In addition, there may be conflicts of interest with regard to the investment. In connection with the provision of services, Credit Suisse AG and/or its affiliates may pay third parties or receive from third parties, as part of their fee or otherwise, a one-time or recurring fee (e.g., issuing commissions, placement commissions or trailer fees). Prospective investors should independently and carefully assess (with their tax, legal and financial advisers) the specific risks described in available materials, and applicable legal, regulatory, credit, tax and accounting consequences prior to making any investment decision.

Additional country-specific information:

DIFC: This presentation can only be offered to Professional Clients. This material is personal to each offeree and may only be used by those persons to whom it has been handed out.

Russia: This document is provided to you for information purposes only and in Russia it shall be exclusively used by recipients, who are Qualified Investors as defined by the applicable Russian legislation. Настоящий документ предоставлен Вам исключительно для информационных целей и предназначен на территории России исключительно для пользования квалифицированными инвесторами, признанными таковыми в силу или в порядке, определенном применимым российским законодательством.

Uruguay: The instruments of this fund correspond to a fund that was not established under the system provided by Uruguayan Law 16,774 of September 27, 1996 and is not registered before the Uruguayan Central Bank.

Copyright © 2022 CREDIT SUISSE GROUP AG and/or its affiliates. All rights reserved.

Distributor: Credit Suisse (Switzerland) Ltd., Paradeplatz 8, CH-8001 Zurich | Distributor: Credit Suisse AG, Paradeplatz 8, CH-8001 Zurich | Distributor: Credit Suisse Asset Management (Switzerland) Ltd., Kalandergrasse 4, CH-8045 Zurich | Supervisor (Entity of Registration): Swiss Financial Market Supervisory Authority (FINMA)

