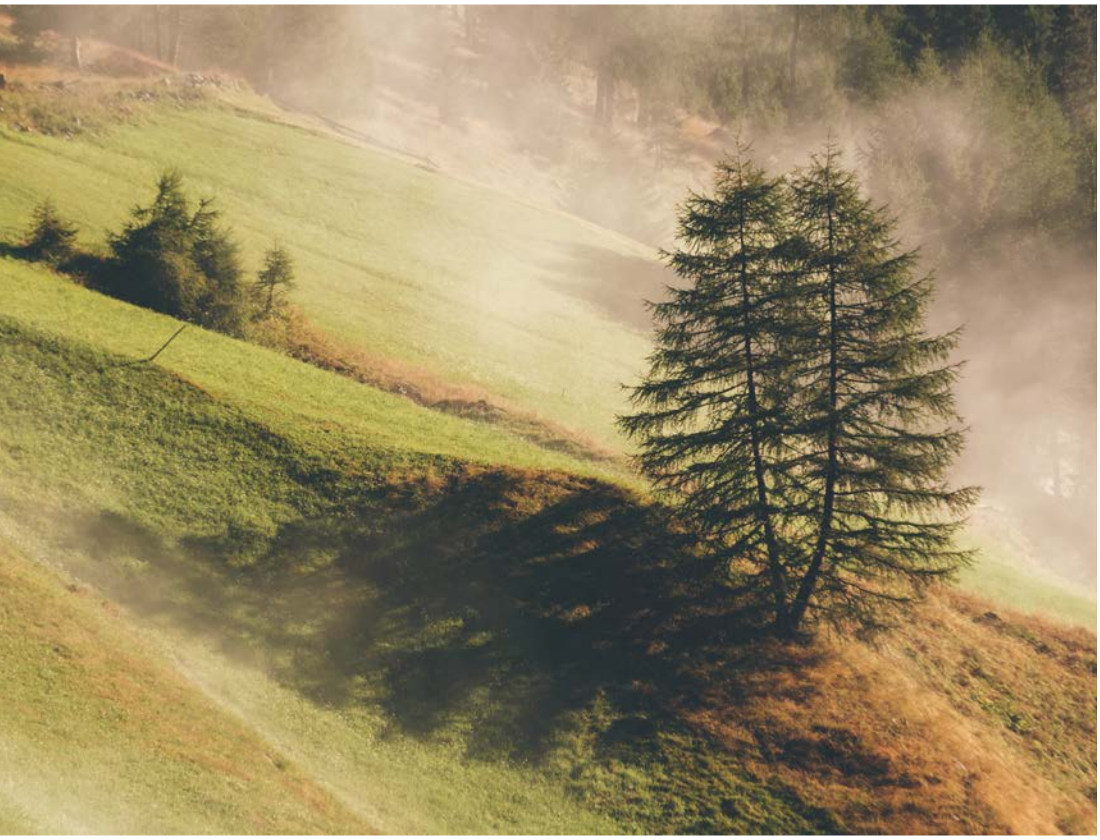
Asset Management

CREDIT SUISSE

Sustainable Investing

Updated on April 27, 2023

Table of content



Introduction

Credit Suisse Asset Management aims to be the partner of choice for sustainable investors. In September 2019, we announced our plan to increasingly incorporate environmental, social, and governance considerations – the ESG factors – into the investment process of several of our strategies. Following this announcement, we have been making substantial efforts to accelerate our sustainable investing agenda and implement it across many of our core asset classes. We have increased our proxy voting coverage by defining specific regional proxy voting policies, and, in order to reinforce our commitment to sustainability, we have strengthened our Sustainable Investing team. Furthermore, Credit Suisse Asset Management has joined the Net Zero Asset Managers initiative and has signed up to the Institutional Investors Group on Climate Change (IIGCC), underscoring its commitment to net zero as a key sustainability ambition.

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

We intend to further develop and promote sustainable investing products and services that seek to generate financial returns while incorporating ESG considerations. We are convinced that our focus on sustainability accords with and assists us in our fiduciary duty to preserve and increase the value of our portfolios to clients.

The information in this document relates to investment funds that apply the Credit Suisse Asset Management's Sustainable Investing Policy. Not all elements explained in this document are applicable to each investment fund. To understand how the content of this document is applied to a specific investment fund, please consult the relevant product legal documentation. For elements or sections that are specific to a subset of investment funds (e.g. a specific asset class or sustainable investment approach), their respective scope of application is highlighted at the beginning of those sections.

Credit Suisse Asset Management also manages discretionary portfolios of individual investors with sustainable investing strategies. The details of the sustainable investing strategy are agreed on with the client directly and may deviate from the information in this document.

1. Credit Suisse Asset Management's Sustainable Investing Policy

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

Credit Suisse Asset Management's Sustainable Investing Policy is aligned with the Credit Suisse Sustainable Investment Framework, which applies to all Credit Suisse divisions and businesses.

1.1 Ambitions of our sustainable investing strategies

Investment funds pursuing a sustainable investing strategy integrate ESG Factors into the investment decision-making process to make better informed investment decisions and some of them target specific sustainable investment objectives. Our sustainable investing funds aim to assess to what extent ESG factors have a material impact on the value of investments and vice versa - how portfolio investments impact ESG factors. The importance of and focus on individual ESG Factors may vary depending on the investment strategy, industry, sector, or asset class. The materiality of ESG Factors is generally assessed using materiality frameworks. ESG Factors can be grouped into three categories. Please see below a non-exhaustive list of ESG Factors that may be attributed to each of the three categories.

- Environment: carbon emission, policies on carbon reduction, renewable energy, water usage, waste management
- Social: health and safety standards, product safety, access to healthcare, education, employment
- Governance: company ownership, board independence and control, remuneration, tax transparency, business ethics

1.2 Key principles of our Sustainable Investing Policy

We place great importance on the systematic consideration of ESG Factors in our sustainable investing strategies. To structure the approach to sustainable investing, our Sustainable Investing Policy is based on five key principles: (1) fulfilling our fiduciary duty to our clients, (2) ESG Exclusions, (3) investing with a sustainability objective and/or ESG Integration, (4) Active Ownership, and (5) transparency toward clients.

1.3 Principle 1: Safeguarding the fiduciary duty to clients

We are convinced that our focus on sustainability helps us fulfil our fiduciary duty to act in the best interest of its clients. In our view, considering ESG Factors offers our investment teams the means to make better informed investment decisions. Furthermore, we are committed to mitigating the negative impacts and fostering the positive effects that our financial investments have on our environment and our society, where possible.

1.4 Principle 2: Application of ESG Exclusions

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

- **Norms-based Exclusions**
  We exclude companies that fail to comply with international treaties on controversial weapons such as the Convention on Cluster Munitions, the Chemical Weapons Convention, the Biological Weapons Convention, the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). In addition, we exclude companies that are recommended for exclusions by the Swiss Association for Responsible Investments (SVVK-ASIR) with respect to anti-personnel mines, cluster munitions and nuclear weapons (outside of NPT).
- **Values-based Exclusions**
  We exclude companies that derive more than 5% of their revenue from conventional weapons and firearms, tobacco production, gambling, or adult entertainment. We exclude companies that derive more than 20% of their revenue from tobacco

distribution or conventional weapons support systems and services. In addition, a revenue limit of 20% applies to investments in coal (coal mining and coal-based electricity generation), a revenue limit of 5% applies in arctic oil and gas as well as a revenue limit of 10% applies oil sands.

- **Business-conduct Exclusions**
  Companies found to (1) systematically violate international norms, (2) where the breaches are particularly severe, or (3) where management is not open to implementing the necessary reforms, are put on a watchlist, and may be excluded from the firm-wide investment universe. Exclusions are considered as a last resort. Instead, engaging with investee companies is supposed to have a higher impact on preventing future breaches.

  Companies that are able and willing to take action may be subject to a period of engagement in which Credit Suisse aims to agree on targets and timelines for improvement, together with the company.

The ESG Exclusion criteria are aligned with the Credit Suisse Sustainable Investment Framework and may evolve over time. Additional investment restrictions based on sustainability-related labels and standards may apply (see section below).

Credit Suisse Asset Management applies ESG Exclusions to direct fixed income and listed equity investments in the following manner:
- For actively managed investment funds, Credit Suisse Asset Management applies the Norms-based Exclusions, Values-based Exclusions, and Business-conduct Exclusions.
- For index tracking investment funds, Credit Suisse Asset Management applies the ESG Exclusions described by the provider of the relevant benchmark index in the index methodology. In addition, provided the investment funds remain within the anticipated tracking error as determined in the legal documentation, Credit Suisse Asset Management applies the Norms-based Exclusions, excludes companies involved in the production of thermal coal and/or in the production of electricity from thermal coal (with a revenues threshold of 20%), and applies conduct-based exclusions of SVVK-ASIR.

Additional investment restrictions based on sustainability related labels and standards
Certain investments funds may apply additional investment restrictions besides the standard ESG exclusions applied by Credit Suisse Asset Management. Such additional investment restrictions apply if the investment fund follows ESG-related labels or other ESG-related market- or industry-wide standards. Information on whether a specific investment fund applies such additional investment restrictions is provided in the fact sheet of the investment fund, and for EU domiciled investment funds in the document labelled "Sustainability-related disclosures." Both are available online at www.credit-suisse.com/fundsearch in the "Documents" section related to a specific investment fund.

Credit Suisse Asset Management's best effort is to comply with such investment restrictions, in particular ESG exclusion requirements, but it can face limited availability of independent and reliable ESG data and may therefore use its own research and methodology to comply with the requirements. Credit Suisse Asset Management's approach to comply with investment restrictions of ESG labels is made transparent in the application process with the respective label provider.

For an overview of the requirements defined in the label and industry standards, please consult the respective websites of the labels and associations mentioned below.

LuxFLAG ESG label restrictions
For investment funds that have been awarded the LuxFLAG ESG label, in addition to Credit Suisse Asset Management's standard ESG exclusions, we exclude the following companies from the investment universe:
- **Tobacco, tobacco-related products and supporting services:** Companies that derive more than 5% of their annual revenue from production and all companies that derive more than 15% of their annual revenue from sales and distribution are excluded.

The LuxFLAG label is awarded for a limited time and is subject to reassessment by the label provider. Further information about LuxFLAG can be found online at luxflag.org.

LuxFLAG Environment label restrictions
Investment funds that have been awarded the LuxFLAG Environment label must have a portfolio of investments in environment-related sectors corresponding to at least 75% of the investment fund's total assets.

The LuxFLAG label is awarded for a limited time and is subject to reassessment by the label provider. Further information about LuxFLAG can be found at online at luxflag.org.

Restrictions related to BVI Guidelines for Responsible Investing
For investment funds that follow the Bundesverband Investment and Asset Management's (BVI's) standards, Credit Suisse Asset Management excludes the following companies, countries, and sectors from the investment universe in addition to Credit Suisse Asset Management's standard ESG Exclusions:

- **Military hardware:** Companies that derive more than 10% of their revenue from manufacturing conventional weapons, components, and support systems and services are excluded.
- **Sovereign issuers:** Serious violations of democratic and human rights based on the assessment as "not free" according to the Freedom House's index (freedomhouse.org/countries/freedom-world/scores)

Monitoring and data
Credit Suisse Asset Management conducts regular pre-trade and post-trade compliance checks with respect to ESG exclusions. If violations of our ESG Exclusion criteria are identified, we follow a dedicated escalation and documentation process that includes informing Credit Suisse Asset Management's senior management.

ESG Exclusions are assessed based on revenue and other exposure ESG data provided by third-party provider and on our own assessment. We may integrate data from multiple third-party providers, such as MSCI or RepRisk, for that purpose. We place great importance on the selection of third-party data providers and the use of data supplied by them as well as related ESG indicators. However, it is important to note that there might be situations where it is not clear whether a company qualifies for an ESG Exclusion or not. When such cases arise, we try to remediate them as well as possible.

1.5 Principle 3: Investing with a sustainability objective and/or ESG Integration

Investing with a sustainability objective
Investing with a sustainability objective refers to investment strategies that allocate capital to investments that address environmental and/or social challenges. Investments are made in line with the sustainable investment objective of the fund. Typically, this means investing securities of companies (equities, green bonds etc.), or investments that address one or more of the United Nations' Sustainable Development Goals or other environmental or social investment objectives. For index tracking investment funds, this means tracking an index with a sustainability objective.

ESG Integration
Applying ESG Integration means that Credit Suisse Asset Management incorporates ESG Factors at various steps of the investment process by combining financial information with information on environmental, social, and governance aspects. Approaches to ESG Integration vary by asset class and investment style and depend on the availability of ESG data. ESG Integration can serve as a means to achieve portfolio-specific ESG targets, such as a better overall ESG risk profile than the benchmark.

ESG Integration in equity investment funds
We integrate ESG Factors into the investment decision-making process to make better informed investment decisions following the steps below:

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

  Second, investment managers prioritize the material factors that are most relevant to the subsequent investment decisions based on the portfolio's current market exposure. Materiality of ESG Factors and the ESG Factors included in the investment process may change over time.
- **ESG security analysis**
  Based on the identified material ESG Factors, investment managers perform security research across the investment fund's investment universe. Investment managers make use of ESG ratings

from third-party service providers and may combine them with Credit Suisse Asset Management's proprietary analyses and information. These may include ESG-related news, ESG ratings and scores, ESG-related controversies, and ESG trends.

The ESG data are fully integrated in our portfolio management software, Aladdin by BlackRock. Additionally, investment managers have full access to ESG-related analyses provided by third-party ESG data providers. The Credit Suisse Asset Management's Sustainable Investing team may offer additional support, where needed, and advise on access to other ESG data providers.

The outcome of the ESG analysis of individual securities, combined with financial research, allows investment managers to make ESG-adjusted risk/return assessments. This enables investment managers to compare securities on an ESG-adjusted basis and to evaluate whether to keep certain securities in the portfolio or to sell them during the security selection and portfolio implementation stage. The ESG security analysis is updated periodically.

- **Security selection and portfolio implementation**
  Based on the identified material ESG Factors and the ESG-adjusted security analysis, investment managers construct a portfolio in accordance with the investment fund's investment process and principles. The ESG-adjusted security analysis, combined with portfolio construction considerations, is used to determine appropriate portfolio weights that reflect the ESG-adjusted risk/return profile of the analyzed securities.

  The research process might make use of dedicated ESG questionnaires and potential follow-up meetings with investee companies when data supplied by our ESG data providers are incomplete.
- **Portfolio monitoring**
  Investment managers monitor ESG Factors periodically to detect significant changes in the ESG Factors of the underlying securities. They regularly reassess the portfolio, taking into consideration financial and ESG metrics, and consequently decide whether to increase or decrease positions in the portfolio.
- **Structured engagement**
  Apart from regular engagement with investee companies and proxy voting carried out by the Active Ownership team, investment managers may engage with companies directly, for example in the event of serious ESG-related concerns.

ESG Integration in fixed income investment funds

Our fixed income funds integrate ESG Factors into the investment decision-making process to make better informed investment decisions.

ESG Factors are integrated into the investment process in four main steps:
- **Identification of material ESG Factors**
  Investment managers use materiality frameworks to identify the ESG Factors that are relevant to the given fixed income investment strategy. Materiality frameworks are concepts that help identify sustainability-related issues and opportunities that are likely to affect the financial condition or operating performance of potential investee companies within an industry. Materiality of ESG Factors and the ESG Factors included in the investment process may change over time.
- **ESG security analysis**
  Based on the identified material ESG Factors, investment managers perform security research on ESG Factors across the investment fund's universe. Investment managers make use of ESG ratings from third-party service providers and may combine them with Credit Suisse Asset Management's proprietary analyses and information. These may include ESG-related news, ESG ratings and scores, ESG-related controversies, and ESG trends.

  To integrate ESG Factors into the security analysis, investment managers calculate an ESG-adjusted credit view for the issuers in the fixed income investment fund's universe. The ESG-adjusted credit view is based on the traditional credit rating of an issuer combined with this issuer's ESG rating. Investment managers apply a proprietary methodology to systematically combine the issuer's traditional credit rating with its ESG rating to derive an ESG-adjusted credit rating. The ESG-adjusted credit rating results in a fundamental view on each issuer, which enables investment managers to compare securities on an ESG-adjusted basis and to evaluate whether to keep certain securities in the portfolio or to sell them during the security selection and portfolio implementation stage. ESG-adjusted credit ratings are updated as soon as an update of the underlying traditional credit rating or ESG rating becomes available.

- **Security selection and portfolio implementation**
  The ESG-adjusted credit ratings are used by investment managers in the bottom-up security selection process. Securities whose financial return compensates for the inherent financial and sustainability-related risks may remain eligible for investing. The position weights are derived from over- or underweighting as well as excluding securities based on the ESG-adjusted credit ratings. In this step, investment managers combine ESG-adjusted credit ratings with established tools of traditional investing strategies to make better informed investment decisions.
- **Portfolio monitoring**
  Investment managers monitor ESG Factors daily to detect significant changes in the ESG Factors of underlying securities and regularly reassess the portfolio to decide whether to increase or decrease positions in the portfolio.

ESG Integration in multi asset investment funds
We integrate ESG Factors into the investment decision-making process to make better informed investment decisions. ESG integration depends on the underlying investment group/asset class. For equity and fixed income investments, the following approaches are available:

- **Identification of material ESG Factors**
  Investment managers use materiality frameworks to identify the ESG Factors that are relevant to the given multi asset investment strategy. Materiality frameworks are concepts that help identify sustainability-related issues and opportunities that are likely to affect the financial condition or operating performance of potential investee companies within an industry. Materiality of ESG Factors and the ESG Factors included in the investment process may change over time.
- **ESG security analysis**
  For direct investments based on the identified material ESG Factors and/or for fund investments based on the fund classification, the investment managers perform research on ESG Factors across the investment fund's investment universe. Investment managers make use of ESG ratings from third-party service providers. These may include ESG-related news, ESG ratings and scores, ESG-related controversies, and ESG trends.
- **Security selection and portfolio implementation**
  The ESG-integrated security selection and portfolio construction approach depends on the underlying investment group/market segment:
  - **Direct investments in equities and fixed income**
    - For direct investments in fixed income, Credit Suisse Asset Management selects sustainable securities (e.g. green/social/sustainable bonds) or evaluates securities with respect to their ESG Factors by using an ESG-adjusted credit view.
    - For direct investments in equities, Credit Suisse Asset Management applies ESG integration by limiting the investment universe to that of an ESG equity index where feasible or evaluates securities with respect to their ESG Factors.
  - **Investments in target funds**
    - For investments in index tracking target funds, Credit Suisse Asset Management aims to select ESG indices (full replication or optimized sampling) to attain the ESG integration characteristics of the index.
    - For investments in actively managed equity or fixed income target funds, Credit Suisse Asset Management aims to select target funds that demonstrate the "ESG Integration," "Sustainable Thematic," or "Impact Investing" approach according to the proprietary classification system described in the Credit Suisse Sustainable Investment Framework.
  - For **other asset classes** and for **specific investment approaches,** ESG Factors are included on availability.
    - **Portfolio monitoring**
      Investment managers monitor ESG Factors periodically to detect significant changes to the ESG Factors of underlying securities and regularly reassess the portfolio to decide whether to increase or decrease positions in the portfolio.

ESG Integration in index tracking investment funds

Due to the nature of their strategy, index tracking investment funds track an ESG benchmark index. ESG characteristics of such an investment fund, its ESG integration approach, or its approach to investing with a sustainable investment objective are therefore derived from the ESG index that the investment fund tracks. Rules and ESG criteria for constructing an ESG index are defined by the index provider, which is why certain exclusion thresholds may deviate from those set in the Credit Suisse Sustainable Investment Framework. Sustainable indices and their corresponding index methodologies are classified according to the Credit Suisse Sustainable Investment Framework. Credit Suisse Asset Management follows these classifications. Investment managers, supported by the Credit Suisse Asset Management's Sustainable Investing team, may integrate additional ESG considerations if a portfolio is constructed using partial replication or if a deviation from the index is allowed.

ESG Integration in real estate investment funds

Direct real estate investments

ESG considerations are integrated across the real estate value chain from the planning and development of property construction projects or the acquisition of existing properties to operational management and renovations or demolitions. To ensure the integration of ESG considerations across the investment life cycle, the Global Real Estate unit of Credit Suisse Asset Management applies a three-pronged investment approach:

- **Building certification**
  Green building certification systems are a set of rating systems and tools that are used to assess a building or construction project's performance from a sustainability and environmental perspective. Buildings that have been assessed and are deemed to meet a certain level of performance and quality receive a certificate proving this achievement. Credit Suisse Asset Management uses the following green building certification systems: LEED, BREEAM, NABERS, greenproperty, DGNB (resp. SGNI), SNBS, and Minergie.
- **Building optimization**
  The building optimization program aims to reduce CO_2 emissions and improve the energy efficiency of buildings through selected short- and long-term building optimization measures applied across the real estate life cycle.
- **ESG benchmarking**
  The annual ESG performance assessment based on the Global Real Estate Sustainability Benchmark (GRESB) provides a comprehensive, independent ESG evaluation of our properties and real estate investment funds. To meet Credit Suisse Asset Management's ESG standards, Credit Suisse Asset Management's real estate investment funds are subject to the real estate ESG assessment based on an ESG due diligence questionnaire and must meet the requirements imposed by the benchmark. As a result, Credit Suisse Asset Management Global Real Estate's funds and foundations are categorized as "ESG Integration" or "Impact Investing."

In addition to ESG integration, some of our real estate investment funds invest with a sustainability objective.

Indirect real estate investments

Credit Suisse Asset Management assesses investments in real estate investment structures and real estate companies ("Real Estate Target Investment") taking into account qualitative and quantitative ESG factors of the respective real estate target investment and/or its investment manager.

Credit Suisse Asset Management collects and monitors relevant data through a proprietary ESG questionnaire, which is used as a decision-making parameter. The questionnaire needs to be completed by the respective Real Estate Target Investment's investment manager and is updated on an annual basis. This ESG questionnaire allows Credit Suisse Asset Management to score the ESG component of the Real Estate Target Investment. It covers a variety of ESG criteria such as:

- public commitment to ESG leadership standards and/or principles
- specified ESG objectives
- measurement and disclosure of ESG/sustainability performance indicators such as, for instance, CO_2 emissions or water and energy usage
- CO_2 reduction path defined and disclosed
- participation in the Global Real Estate Sustainability Benchmark (GRESB)

In addition, Credit Suisse Asset Management seeks to promote the importance of responsible investing and ESG on a qualitative basis by discussing the importance of environmental aspects with the managers of existing and prospective investment structures while assessing good governance practices.

1.6 Principle 4: Application of Active Ownership

Being a shareholder and partial owner of a company comes with certain rights and duties. It presents an important opportunity to support positive change. To us, active ownership means exercising these rights and fulfilling our fiduciary duties on behalf of our clients. The two main elements of active ownership – engagement and proxy voting – constitute important tools in the pursuit of our environmental, social, and governance related goals.

Through our investment funds, we hold shares in many companies in Switzerland, Europe, and across the globe. As investors, we have the opportunity to engage with investee companies aiming to protect and enhance the value of our client's investments, communicate our goals and expectations, and exert our voting power at annual shareholder meetings. Engagement activities are derived from a materiality analysis performed by Credit Suisse Asset Management across its investment funds.

While not an exhaustive list, factors that may be taken into consideration for active ownership include:

- business strategy and its execution
- risk management
- environmental and social concerns (e.g. carbon emissions, reduction and neutrality strategy, biodiversity considerations, food loss and waste efforts)
- corporate governance issues such as board composition (e.g. election of non-independent directors), and the structuring of the remuneration for the board of directors as well as the executive management board
- compliance, culture, and ethics
- performance and capital structure

Furthermore, please find below our disclosures:

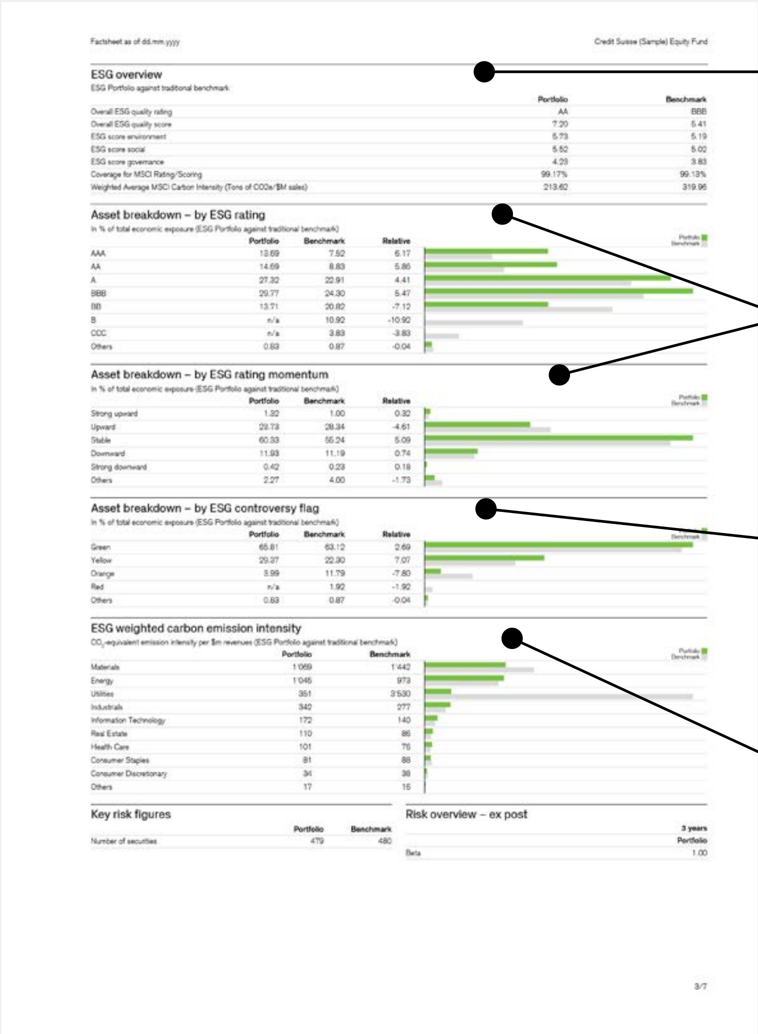
- Credit Suisse Transparency Statement (PDF EN)
  The Transparency Statement explains how Credit Suisse Asset Management (Switzerland) Ltd. complies with the transparency requirements in Art. 3i of SRD II.
- Credit Suisse Engagement Policy Statement (PDF EN)
  Information on implementation of the Credit Suisse Engagement Policy Statement for funds in scope of SRD II is disclosed in the Proxy Voting Dashboard (see link below). This includes a general description of voting behavior and the votes cast in general meetings.
- The Active Ownership report summarizes our proxy voting and engagement activities during the reporting period and shows the way forward as we expand active ownership into new markets and tackle new issues. Access the Active Ownership website to download the most recent report.
- Proxy Voting Dashboard
- The Proxy Voting Guidelines provide insight into our voting principles. Access the Active Ownership website to download the brochure.

1.7 Principle 5: Reporting and transparency

Information on the sustainability characteristics of our investment funds can be found in their annual reports and in their monthly fund fact sheets, which include a section dedicated to ESG Factors. They are available online at www.credit-suisse.com/fundsearch.

In addition, select investment funds publish an impact and engagement report. Examples of these reports can be provided on request by relationship managers.

Example of the ESG section of a fund fact sheet



Factsheet as of dd.mm.yyyy

Credit Suisse (Sample) Equity Fund

ESG overview

ESG Portfolio against traditional benchmark

	Portfolio	Benchmark
Overall ESG quality rating	AA	BBB
Overall ESG quality score	7.20	5.41
ESG score environment	5.73	5.19
ESG score social	5.52	5.02
ESG score governance	4.23	3.83
Coverage for MSCI Rating/Scoring	99.17%	99.13%
Weighted Average MSCI Carbon Intensity (Tons of CO2e/$M sales)	213.62	319.96

Asset breakdown – by ESG rating

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

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

Asset breakdown – by ESG rating momentum

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

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

Asset breakdown – by ESG controversy flag

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

	Portfolio	Benchmark	Relative
Green	65.81	63.12	2.69
Yellow	29.37	22.30	7.07
Orange	3.99	11.79	-7.80
Red	n/a	1.92	-1.92
Others	0.83	0.87	-0.04

ESG weighted carbon emission intensity

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

	Portfolio	Benchmark
Materials	1'069	1'442
Energy	1'045	973
Utilities	351	3'530
Industrials	342	277
Information Technology	172	140
Real Estate	110	86
Health Care	101	76
Consumer Staples	81	88
Consumer Discretionary	34	38
Others	17	15

Key risk figures

	Portfolio	Benchmark
Number of securities	479	480

Risk overview – ex post

	3 years Portfolio
Beta	1.00

3/7

ESG overview

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

ESG rating breakdown

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

Controversies

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

Carbon emission intensity

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

2. Regulatory methodologies and standards

This section outlines methodologies and standards that are used to manage and measure ESG Factors for investment funds in scope of the Credit Suisse Asset Management's Sustainable Investing Policy.

2.1 Sustainability Indicators

EU-domiciled investment funds use Sustainability Indicators to measure the attainment of the environmental or social characteristics they promote or the attainment of the sustainable investment objective on the portfolio level. The Sustainability Indicators used for a specific investment fund are defined in the product's legal documentation and are reported on in the annual report.

Overview of Sustainability Indicators
The table below provides information of Sustainability Indicators used by Credit Suisse Asset Management. **Important note: Each investment fund only uses a subset of the Sustainability Indicators listed below.**

Sustainability Indicator	Description	Indicator output
ESG Rating (MSCI)	This indicator measures how well the issuers in the portfolio manage their exposure to industry specific ESG risks and their ability to mitigate those risks relative to their peers. Note that the ESG rating is calculated on an industry relative basis, while the underlying individual E, S, and G ratings are absolute. Hence, the ESG Rating cannot be seen as an average of the individual E, S, and G ratings. Source: MSCI*	Investment exposure by ESG Rating: AAA (highest): 0%–100% AA: 0%–100% A: 0%–100% BBB: 0%–100% BB: 0%–100% B: 0%–100% CCC (lowest): 0%–100%
ESG Rating (JESG)	Only for investment funds replicating the JPM ESG EMBI Global Diversified index: This indicator reflects the issuers' scores according to the J.P. Morgan ESG (JESG) methodology of the JPM ESG EMBI Global Diversified index. The JESG methodology uses data from RepRisk, Sustainalytics and the Climate Bonds Initiative as inputs to determine the index ESG Rating performance. Source: JP Morgan	Investment exposure by JESG score range: Band 1 [score 80-100] (highest): 0-100% Band 2 [score 60-79]: 0-100% Band 3 [score 40-59]: 0-100% Band 4 [score 20-39]: 0-100% Band 5 [score 0-19] (lowest): 0-100%
Environmental Pillar Score	This indicator measures to what extent issuers in the portfolio face and how well they manage material environmental issues, such as: ▪ Climate change (including carbon emission measures) ▪ Environmental opportunities (including different renewable energy and technology) ▪ Natural capital (including clean water and biodiversity) ▪ Pollution and waste (including waste management and toxic emission) Source: MSCI*	Portfolio aggregate Environmental Pillar Score: ↓1 (lowest) – ↑10 (highest)
Social Pillar Score	This indicator measures to what extent issuers in the portfolio face and how well they manage material social issues, such as: ▪ Human capital (including health and safety measures) ▪ Product liability (including product safety and responsible investment measures) ▪ Social opportunities (including access to health care and communication) Source: MSCI*	Portfolio aggregate Social Pillar Score: ↓1 (lowest) – ↑10 (highest)
Governance Pillar Score	This indicator measures to what extent issuers in the portfolio face and how well they manage material governance issues, such as: ▪ Corporate governance (including ownership and control and remuneration data points) ▪ Corporate behavior (including business ethics and tax transparency data points) Source: MSCI*	Portfolio aggregate governance pillar Score: ↓1 (lowest) – ↑10 (highest)
ESG Controversy Flag (MSCI)	This indicator measures to what extent issuers in the portfolio have controversies related to their operations and/or products, and the severity of the social or environmental impact of them. A controversy case is typically a one-off event such as an environmental oil spill, an accident, or allegations such as safety issues in a production facility. Issuers of the portfolio are categorized into the following: ▪ Green – indicates that the issuer is not involved in any major controversies ▪ Yellow – indicates that the issuer is involved in severe-to-moderate level controversies ▪ Orange – indicates that the issuer is involved in one or more recent severe structural controversies that are ongoing ▪ Red – indicates that the issuer is involved in one or more very severe controversies Source: MSCI*	Investment exposure by ESG Controversy Flag of MSCI: Green: 0%–100% Yellow: 0%–100% Orange: 0%–100% Red: 0%–100%

Sustainability Indicator	Description	Indicator output
ESG Controversy Flag (JESG)	Only for products replicating JPM ESG EMBI Global Diversified index: This indicator reflects the J.P. Morgan ESG (JESG) methodology applied by the index provider to the JPM ESG EMBI Global Diversified index tracked by the portfolio. The JESG methodology excludes certain issuers from the index, for instance, because of a low ESG Rating or exposure to controversial economic sectors. Source: JP Morgan	Investment exposure (0-100%) to controversial issuers and/or economic activities as identified by JESG
Proprietary Fixed Income ESG Signal	This indicator combines ESG ratings of multiple third-party data providers through a waterfall logic. External data sources considered are Lucror, MSCI, Sustainalytics and Inrate. The rating can yield a "positive," "neutral," or "negative" ESG signal. Source: Proprietary	Portfolio exposure by Proprietary Fixed Income ESG Signal: ↗ Positive: 0%–100% → Neutral: 0%–100% ↘ Negative: 0%–100%
Adherence to Credit Suisse Asset Management's ESG Exclusions	This indicator reflects that the portfolio complies with the applicable ESG Exclusions (as defined in section 1.4. Principle 2: Application of ESG Exclusions). Source: Proprietary	Pre- and post-trade checks are in place to detect any issuer that breaches the ESG Exclusions. Any detected breach is escalated and remedied.
Carbon Emission Intensity	This indicator measures Scope 1 + Scope 2 greenhouse gas emissions intensity (normalized by sales) of the issuers in the portfolio. Intensities are security weighted. Source: MSCI*	Portfolio aggregate carbon emission intensity: Numeric value (tons/sales)
ESG Classification of Target Funds	This indicator measures to what extend investments made into collective investment schemes (target funds) of a portfolio fall into the different product sustainability classifications of the Credit Suisse Sustainable Investment Framework. Source: Proprietary	Portfolio exposure by ESG classification of target funds: Impact: 0%–100% Sustainable Thematic: 0%–100% ESG Aware: 0%–100% Avoid harm: 0%–100% Traditional: 0%–100% No sustainable: 0%–100%
Alignment of Investments to SDGs	The indicator measures the degree of alignment of the issuers in the portfolio with the UN Sustainable Development Goals (SDG) targeted in the product legal documentation. The SDGs define 17 areas of focus to build a better world for people and the planet. Credit Suisse Asset Management assesses the alignment of an issuer to one or multiple SDGs based on data from third-party data providers and may conduct proprietary research. Source: Proprietary	Explanation of the alignment of the investment exposure to a specific SDG.
Green Bonds	This indicator measures the proportion of investments in a portfolio invested in green bonds. Green bonds are fixed-income securities in which the proceeds will be exclusively and formally applied to projects or activities that promote climate or other environmental sustainability purposes. Source: Refinitiv	Investment exposure to Green Bonds: 0%–100%
Energy Star Score	Applied for direct real estate: This indicator measures the energy performance of the real estate investments in the portfolio. It assesses the buildings' physical assets, operations, and occupant behavior. It indicates how real estate investments of the portfolio are performing compared to similar buildings in terms of their energy consumption. The portfolio energy star score covers only buildings which are completed and is provided by a specialized service provider and is weighted by the share of the total office equivalent gross floor area and the duration of the building in the portfolio during the reference period. A score of 50 is the median. Lower is worse than median; higher is better. Siemens based on Energy Star calculation standard	Investment exposure to Energy Star Score Numeric value 1 (worst) – 100 (best)

Sustainability Indicator	Description	Indicator output
Green Building Certifications	Green building certification systems are a set of rating systems and tools that are used to assess a building or construction project's performance from a sustainability and environmental perspective. A green building certificate can only be obtained once the construction of a building has been completed. Buildings that have been assessed and are deemed to meet a certain level of ESG performance and quality, receive a certificate proving this achievement. Credit Suisse Asset Management GRE use the following green building certification systems: LEED, BREEAM, NABERS, greenproperty, DGNB (resp. SGNI), SNBS and Minergie. Source: LEED (U.S. Green Building Council), BREEAM (BRE Group), DGNB (German Sustainable Building Council)	Percentage of Assets meeting the following certification thresholds: LEED "Platinum or Gold", or BREEAM "Outstanding, Excellent or Very Good", or DGNB "Platinum or Gold"
GRESB Rating	Applied for direct real estate: This indicator measures the GRESB rating of the real estate investments in the portfolio. GRESB (Global Real Estate Sustainability Benchmark) is the leading global ESG benchmark for measuring the sustainability performance of property companies and real estate funds. The assessment method involves evaluating performance and management criteria against peer groups for seven different aspects, to produce a GRESB score that contributes significantly to making the real estate sector more transparent and comparable on sustainability issues. Source: GRESB	Portfolio average GRESB Rating: Numeric value 1 (worst) – 100 (best) Investments and capital that have a GRESB Rating: 0-100%
Greenhouse Gas (GHG) Emissions (Scope 1, 2 and 3.13)	This indicator measures the GHG Emission (Scope 1, Scope 2 and Scope 3.13) per square meter building area of the real estate investments in the portfolio according to the methodology of the Greenhouse Gas Protocol (GHGP), which allows for a comparison between buildings of different sizes and use types. Scope 3.13 covers downstream leased assets and includes emissions from the operation of assets that are owned by the reporting company (acting as lessor) and leased to other entities in the reporting year that are not already included in scope 1 or scope 2. Source: CSAM based on GHG Protocol	Portfolio aggregate GHG Emission: Numeric value (CO_2e kg / m^2 p.a.)
Energy Consumption Intensity (Scope 1, 2 and 3.13)	This indicator measures the energy consumed in a building in relation to the floor area. Source: Siemens	Portfolio aggregate Energy Consumption Intensity: Numeric value KWh / m2 p.a
Average Overall ESG CAT Score	Each of the investment fund's CAT bond investments has been given three subscores for ESG integration (Sponsor, Transaction, Collateral Level) and one Thematic Investing Score. These four scores are weighted according to the Credit Suisse ILS ESG Framework and result in the Overall ESG CAT Score for each CAT Bond. The Subfund's average overall ESG CAT Score is the sum of the individual overall ESG CAT scores, weighted by market value. Source: Proprietary	↓1 (worst) – ↑100 (best)

* Discrepancies may exist between the MSCI pillar scores calculated by CSAM and the MSCI pillar score calculated by MSCI. There are two main reasons for these potential deviations: (1) CSAM uses updated month-end holdings data as basis for its calculation, and (2) CSAM uses the underlying security data (e.g., exposures to target funds or to convertible bonds), thus applying a look-through approach where possible.

Data
Sustainability Indicators in the form of third-party ratings, scores or raw data are generally sourced from MSCI unless stated otherwise in reporting. For further information, please refer to: www.msci.com/our-solutions/esg-investing/esg-ratings. Sustainability Indicators that are based on a Credit Suisse Asset Management's proprietary methodology may integrate data from multiple third-party providers such as MSCI, Sustainalytics, Lucror, RepRisk, or Siemens (for real estate investments).

Credit Suisse Asset Management aims to provide Sustainability Indicators that are transparent, accessible, and comparable for clients to assess and compare the sustainable investing performance of our investment funds. However, given the absence of global standards for measuring and disclosing ESG data underlying some of these metrics, data quality and data availability may be limited.

2.2 SFDR Principal Adverse Impacts

For EU-domiciled investment funds, Credit Suisse Asset Management considers the SFDR Principal Adverse Impacts (PAI) and reports on them in annual reports, unless stated otherwise in the product legal documentation.

PAI are defined by SFDR as negative impacts investments may have on the environment and society. SFDR has defined 18 mandatory PAI indicators and additional optional PAI indicators. The PAI indicators are grouped by investment classes (investments in investee companies, sovereign bonds, and real estate assets).

Credit Suisse Asset Management sources PAI indicators from third-party data providers and may use proprietary sources where appropriate. The Credit Suisse Asset Management's PAI framework defines how Credit Suisse Asset Management considers PAI indicators for actively managed investment funds.

Credit Suisse Asset Management's PAI Framework (actively managed investment funds)
Credit Suisse Asset Management makes use of a combination of approaches to consider PAI indicators. The degree and the way PAI are considered, depends on factors such as the type of an investment fund or strategy, the asset class, and the availability of reliable data. The approach applied when considering PAI depends on the nature of the indicator and on the specific context of the investment that is causing the adverse impact. The approaches to address adverse impacts include engagement, proxy voting, specific investment guidelines, and monitoring our portfolios' exposure. The approaches can be portfolio specific or defined across a broader part of Credit Suisse Asset Management's business (e.g. the NetZero Asset Managers initiative).

The table below shows the mandatory PAI indicators defined by the SFDR and the methodology adopted by Credit Suisse Asset Management with regard to the relevant PAI indicators:

Theme	PAI indicator	Metric	Credit Suisse Asset Management's methodology to consider PAI
Investments in investee companies			
Climate and other environment-related indicators			
Greenhouse gas (GHG) emissions	1. GHG emissions	Absolute Scope 1 GHG emissions, Scope 2 GHG emissions, Scope 3 GHG emissions and total GHG emissions based on either reported or estimated values. Multiple types of greenhouse gases are considered and expressed in terms of tons of CO_2 per year.	▪ Credit Suisse Asset Management is committed to contributing to the goals of the Paris Agreement and to achieving net zero carbon emissions by 2050. For this, Credit Suisse Asset Management has published a net zero roadmap including interim carbon reduction targets for 2030. ▪ Exposure to GHG is regularly reviewed at the portfolio level.
	2. Carbon footprint	Carbon footprint, calculated from the aggregated Scope 1, 2, and 3 GHG emissions of a company relative to its enterprise value.	
	3. GHG intensity of investee companies	GHG intensity of investee companies calculated from the aggregated Scope 1, 2, and 3 GHG emissions of a company relative to its sales or revenues	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	▪ We exclude companies with revenues from business activities in thermal coal (power generation, mining) that surpass the Credit Suisse's threshold. See chapter 1.4 for further information. ▪ Information on whether companies are active in the fossil fuel sector is available to investment teams.
	5. Share of nonrenewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	For this PAI, data availability and/or quality is limited. Credit Suisse Asset Management monitors the availability and quality of data for the PAI at portfolio level.
	6. Energy consumption intensity per high-impact climate sector	Energy consumption in GWh per EUR million of revenue of investee companies, per high-impact climate sector	For this PAI, data availability and/or quality is limited. Credit Suisse Asset Management monitors the availability and quality of data for the PAI at portfolio level.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	Information on whether companies have activities that negatively affect biodiversity-sensitive areas is available to investment teams and are regularly reviewed by the Credit Suisse Asset Management's Sustainable Investing team. As part of the Credit Suisse Asset Management's Proxy Voting Methodology, we will generally support resolutions seeking to provide reporting on policies and implementation practices related to biodiversity, including deforestation.
Water	8. Emissions to water	Tons of emissions to water generated by investee companies per EUR million invested, expressed as a weighted average	For this PAI, data availability and/or quality is limited. Credit Suisse Asset Management monitors the availability and quality of data for the PAI at portfolio level.
Waste	9. Hazardous waste and radioactive waste ratio	Tons of hazardous waste and radioactive waste generated by investee companies per EUR million invested, expressed as a weighted average	For this PAI, data availability and/or quality is limited. Credit Suisse Asset Management monitors the availability and quality of data for the PAI at portfolio level.

Theme	PAI indicator	Metric	Credit Suisse Asset Management's methodology to consider PAI
Indicators for social and employee, respect for human rights, anti-corruption, and anti-bribery matters			
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Credit Suisse excludes companies that exhibit severe weaknesses in business conduct, particularly regarding breaches of the United Nations Global Compact Principles (UNGC). See chapter 1.4 for further information.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Information on whether companies have no such process or compliance mechanism in place is available to investment teams. Exposure to GHG is regularly reviewed at portfolio level.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	For this PAI, data availability and/or quality is limited. Credit Suisse Asset Management monitors the availability and quality of data for the PAI at portfolio level.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	As part of the Credit Suisse Asset Management's Proxy Voting Methodology, we support the election of underrepresented gender identities on the BoD. This minimum may vary by market.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	Credit Suisse Asset Management excludes companies that fail to comply with international treaties on controversial weapons such as the "Convention on Cluster Munitions," the "Chemical Weapons Convention," the "Biological Weapons Convention," and the "Treaty on the Non-Proliferation of Nuclear Weapons." See chapter 1.4 for further information.
Investments in sovereigns and supranationals			
Environmen-tal	15. GHG intensity	GHG intensity of investee countries	▪ Credit Suisse Asset Management develops its methodology in line with Credit Suisse's commitment to contribute to the goals of the Paris Agreement and to achieve net zero carbon emissions by 2050. ▪ Exposure to GHG is regularly reviewed at portfolio level.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Credit Suisse operates a global sanctions program designed to comply with key sanctions regimes including (but not limited to) the regimes of Switzerland, USA, UK, and EU.
Investments in real estate assets			
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels	Credit Suisse Asset Management does not invest in direct real estate involved in the extraction, storage, transport, or manufac-ture of fossil fuels.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	Due to the lack of comparable data across real estate investments in different countries, Credit Suisse Asset Management applies its own methodology to assess energy inefficiency of direct real estate investments.

The efficiency of our methodology to consider PAI exposure is subject to adequate data quality and sufficient data coverage. Corporate data disclosure on PAI is limited and reporting for PAI metrics is not always consistent. Credit Suisse Asset Management is monitoring the state of PAI disclosure and is looking to introduce additional measures to consider PAI once quality and coverage improve. Engagement and proxy voting depend on a materiality analysis performed by Credit Suisse Asset Management across its investment funds and may therefore be performed for a limited number of investments only. Credit Suisse Asset Management's ability to consider PAI for investments in third-party investment funds may be limited or impossible. In the absence of a look through to the underlying portfolio, the assessment, and reporting of PAI is dependent on the availability of the PAI reporting provided by the corresponding fund manager to Credit Suisse Asset Management.

PAI approach for index tracking investment funds
For index tracking investment funds, PAIs are considered based on the ESG index methodology. In addition, Credit Suisse Asset Management applies Norms-based Exclusions and certain Values-based Exclusions on a case-by-case basis. Credit Suisse Asset Management reports PAI indicators in the annual report of investment funds to enable investors to assess the negative impacts inherent in the investment funds.

2.3 Good Governance

For EU-domiciled investment funds, Credit Suisse Asset Management assesses whether the investments follow good governance practices according to the SFDR, which includes the evaluation of employee relations, sound management structure, tax compliance, and remuneration topics.

The methodology to assess and ensure good governance of investments includes the following:

- **Business-conduct Exclusions** (only for actively managed investment funds): Companies that have been found to systematically violate international norms, particularly with regard to breaches of the Ten Principles of the United Nations Global Compact Principles (UNGC) may be excluded from the investment universe. Please refer to section 1.4 for further information.
- **Proxy voting and engagement:** in markets and for investments where Credit Suisse Asset Management exercises its voting rights, Credit Suisse Asset Management votes on governance topics such as the independence of the board of directors, remuneration and board incentive systems, in line with its fiduciary duty. Credit Suisse Asset Management may discuss with investee companies shortcomings and what improvements Credit Suisse Asset Management expects, based on the Credit Suisse Asset Management's proxy voting framework. Please refer to section 1.6 Principle 4: Application of Active Ownership for further information.
- Governance topics may furthermore be part of **ESG Integration** through their inclusion in an ESG rating and the Governance Pillar score.

For investments in **real estate assets,** good governance cannot be assessed on the real estate asset level itself. However, during the acquisition, holding, and disposal of the asset, Credit Suisse Asset Management engages with external counterparties and/or service providers. Credit Suisse Asset Management has controls and processes in place to ensure those external counterparties and/or service providers (such as operating partners and developers) exceeding a certain order volume are subject to proper due diligence review for good governance purposes. Good Governance practice relate to companies and may not be assessed for investments in securities issued by sovereigns or supranational entities.

2.4 SFDR Sustainable Investments

According to Art. 2(17) of the SFDR, Sustainable Investments are investments in companies that follow good governance practices, and whose activities contribute to an environmental or social objective without causing significant harm to any other environmental or social objectives.

For EU-domiciled investment funds, Credit Suisse Asset Management assesses the proportion of SFDR Sustainable Investments and reports on them in the annual report, unless stated otherwise in the product legal documentation.

Credit Suisse has defined a quantitative methodology to identify investments which qualify as SFDR Sustainable Investments. This methodology is systematically applied to all investment funds. In addition, Credit Suisse may classify investments as SFDR Sustainable Investments based on a qualitative case-by-case assessment.

Quantitative methodology for equity and fixed income investments
SFDR Sustainable Investments need to meet each of the following three requirements.

1. Contribution to environmental or social objective
To meet the requirement of contributing to an environmental or social objective, Credit Suisse will either consider:

- Investments that generate at least 50% of their revenues from products and services that contribute to an environmental objective (e.g. key resource efficiency indicators on the use of energy, renewable energy, raw materials, water, and land, etc.) or a social objective (e.g. major disease treatment, tackling inequality or fostering social cohesion, social integration, and labor relations), or
- Investments that have an approved commitment to science-based emission targets and an average reduction in carbon emissions intensity of 7% over the last three years, or
- Investments in securities whose proceeds pursue a predefined environmental or social objective (e.g. green bonds).

2. No significant harm
SFDR Sustainable Investments cannot significantly harm any environmental or social objectives – i.e. they must follow the Do Not Significant Harm (DNSH) principle. To assess if the DNSH requirement is met, Credit Suisse makes use of PAI indicators and further indicators from our ESG Exclusion framework. Credit Suisse has defined a set of criteria and thresholds to determine if an investment meets the DNSH requirement (e.g., investments with exposure to controversial weapons or those deriving more than 20% of revenues from coal mining and coal-based electricity generation do not meet the DNSH requirement). Note that the consideration of PAI as described in section 2.2 may differ from the usage of PAI for the purpose of DNSH. For example, post-trade tools such as proxy voting may be used to consider PAI in the context of section 2.2 but may not be relevant to the question if an investment currently causes significant harm.

3. Good governance practice
SFDR Sustainable Investments are in companies that exhibit good governance practice. In contrast to good governance described in section 2.3, the assessment based on the SFDR Sustainable Investment definition focuses on the current situation irrespective of the potential measures a company may take in the future to ensure improvements in its governance. The result of the assessment is either yes or no. Credit Suisse relies on investee company's overall ESG performance (measured by the Sustainability Indicator "ESG rating") and its governance performance (measured by the Sustainability Indicator "Governance Pillar Score") to assess good governance. These measures provide a holistic view of the investee company's ability to manage resources, including human capital, to ensure operational integrity based on strong management practices and to comply with applicable norms, including tax laws.

Quantitative methodology for direct real estate investments
SFDR Sustainable Investments need to meet each of the following three requirements

1. Contribution to environmental or social objective
To meet the requirement of contributing to an environmental or social objective, Credit Suisse will either consider:

- Investments that have at least a LEED rating "gold" or BREEAM rating "very good" or DGNB (resp. SGNI) "Gold" or higher, or
- Investments that have an Energy Star rating of 75 or higher.

2. No significant harm
SFDR Sustainable Investments may not significantly harm any environmental or social objectives (DNSH). To assess if the DNSH requirement is met, Credit Suisse makes use of the PAI Indicators related to real estate regarding the exposure to fossil fuels through real estate assets and energy-inefficient real estate assets.

3. Good governance practice
While Good Governance for real estate assets cannot be assessed on the real estate asset level itself, Credit Suisse Asset Management engages with external counterparties and/or service providers during the acquisition, holding, and disposal of the

asset. Credit Suisse Asset Management has controls and processes in place to ensure that those external counterparties and/or service providers (such as operating partners and developers) that exceed a certain order volume are subject to proper due diligence review for good governance purposes.

Limitations of quantitative methodology
There are diverging definitions and methodologies used in the industry to define SFDR Sustainable Investments. The extension of the EU Taxonomy is expected to bring further clarity and consensus on this topic. For green bonds, DNSH is assessed on individual project level and not on the issuer entity level. Good Governance practices may not be assessed for investments in securities issued by sovereigns or supranational entities. For investments in third-party investment funds, Credit Suisse Asset Management may use the latest publicly reported percentage of SFDR Sustainable Investments of such a third-party investment fund if available. These reported percentages are calculated using the methodology of the third-party investment fund manager and may differ from the methodology explained above.

The methodology to identify SFDR Sustainable Investments makes use of ESG data that may not be reliable or in certain cases not available from underlying investments. To address shortcomings of this quantitative methodology, a qualitative case-by-case assessment to classify an investment as SFDR Sustainable Investment may be applied. The rationale supporting a case-by-case assessment needs to be verified and approved by a central Credit Suisse Group committee.

2.5 The EU Taxonomy

For EU-domiciled investment funds, Credit Suisse Asset Management calculates the alignment of the investment funds with the EU Taxonomy and reports it in its annual reports, unless stated otherwise in the product legal documentation.

The EU Taxonomy (Regulation EU 2020/852) specifies how economic activities may contribute to the following six environmental objectives. These are:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

The EU Taxonomy also states that an economic activity must not do significant harm to any other environmental objective and how minimum safe-guards are met.

The EU Taxonomy has to date defined technical screening criteria used to assess the alignment of a subset of environmental objectives (e.g. climate change mitigation and climate change adaptation) with the EU Taxonomy. The technical screening criteria covering the remaining environmental objectives and an EU Taxonomy for social objectives is expected in the future.

Calculation methodology
In line with regulatory guidance, Credit Suisse Asset Management does not use estimated data to disclose alignment of investments with the EU Taxonomy that is required to be reported under the Corporate Sustainability Reporting Directive (CSRD) or Non-Financial Reporting Directive (NFRD). For investments that are not required to report under those directives, estimated data may be used. Three indicators: turnover, capital expenditures, and operating expenses are used when reporting on the alignment of the investments with the EU Taxonomy. Capital expenditures and operating expenses might be used for specific investment funds where such indicators allow a better view on the investment fund's position toward the EU Taxonomy (i.e. real estate funds).

Data and limitations
Credit Suisse Asset Management relies on reported data collected by external data providers and may use the estimation models of such data providers. The availability of reported data on alignment with the EU Taxonomy from investments is limited. Currently, most companies are not reporting their alignment with the EU Taxonomy. The estimation models of external data providers may have limitations when it comes to reflecting the detailed regulatory definition stated in the EU Taxonomy and its Technical Screening Criteria.

3. Special topics

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3.1 Limitations on ESG data

For certain asset classes, regions, or sectors, ESG Factors are either insufficiently defined at present or no ESG data are available from external providers. In this case, we may use additional analyses, such as information obtained from specialized data providers and proprietary sources, to achieve a meaningful coverage on ESG data.

Maximum 20% of direct fixed income and listed equity investments of an investment fund may be allocated to investments for which no ESG-related information is available. We expect this limit to be lower in practice and to keep getting lower over time as the availability of ESG data and disclosure on related indicators improve.

3.2 Treatment of derivatives and short positions

When applying the Credit Suisse Asset Management's Sustainable Investing Policy, Credit Suisse Asset Management may use financial derivative instruments to implement the investment strategy of a product. In such cases, the principles of the Credit Suisse Asset Management's Sustainable Investing Policy are applied in the same way to derivatives as to direct investments except for Active Ownership, which cannot be exercised. This means that Credit Suisse Asset Management's ESG Exclusions are applied at the level of the underlying instruments whenever possible (with the exceptions mentioned below) and that the selection of derivatives follows the same principles of ESG Integration as those defined for direct investments.

Exceptions to Credit Suisse Asset Management's ESG Exclusions for derivatives encompass:

- Short positions in single stocks, single-stock options, and buying protection in single-name CDS are not allowed in companies subject to Norms-based Exclusions.
- Short positions in single stocks, single-stock options, and buying protection in single-name CDS are allowed in companies subject to Values-based Exclusions and/or Business-conduct Exclusions.
- Curve trades on companies that fall within the Values-based Exclusions and/or Business-conduct Exclusions are only allowed if the notional value of the credit short position equals the notional value of the credit long position.

Glossary

DNSH	Do not significant harm
SFDR	Sustainable Finance Disclosure Regulation, an EU regulation that defines disclosure rules for investment funds and financial participants, data.europa.eu/eli/reg/2019/2088/2020-07-12
ESG Factors	Environmental, social, and governance information
Sustainability Indicators	Indicators that measure the attainment of the environmental or social characteristics they promote or the attainment of the sustainable investment objective. See section 2.1.
Credit Suisse Sustainable Investment Framework	Sustainable investment principles that apply across all Credit Suisse divisions and businesses, including Credit Suisse Asset Management. The Credit Suisse Asset Management's Sustainable Investing Policy specifies the approach taken by Credit Suisse Asset Management and is aligned with the Credit Suisse Sustainable Investment Framework. More information can be found at: www.credit-suisse.com/sustainability/en/reports.html
Materiality frameworks	Materiality frameworks are concepts that help identify sustainability-related issues and opportunities that are likely to affect the financial condition or operating performance of companies within an industry.
LEED	Leadership in Energy and Environmental Design is a widely used green building certification program including a set of rating systems for the design, construction, operation, and maintenance of buildings and neighborhoods' green features. More information is available at usgbc.org/leed.
BREEAM	An international scheme that provides independent third-party certification of the assessment of the sustainability performance of individual buildings, communities, and infrastructure projects. See breeam.com.

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

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