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About the authors

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Marc Bindschädler, Senior Portfolio Advisor for the Thematic Investing Boutique, joined Vontobel Asset Management in December 2011. He also acts as client-facing ESG specialist. Marc Bindschädler holds a degree in Business Administration from the Marketing and Business School, Zurich.
1. Executive summary

A myriad of investment funds are sustainable in name, if not in spirit. But even if such products abide by environmental, social and governance (ESG) standards, many investors are still left in the dark about the specifics. Therefore, every asset manager should be very clear about their investment approach. Naturally, their strategies reflect the motivations of their clients, a diverse lot consisting of “do-gooders” as well as performance-minded investors. With this publication, we aim to explain our point of view.

To give the reader an idea about the complexity of the matter at hand, here’s a list of approaches to sustainable investing based on the definition by the Global Sustainable Investment Alliance.

1. Negative/exclusionary screening:
Since the beginning of modern sustainable investing, exclusion criteria have served as a simple and effective tool to prevent investments into companies in breach of their own moral and ethical values. This used to mean a simple exclusion of companies involved in the production of a questionable good. Nowadays, the data quality often allows for an exclusion based on specific criteria and thresholds. For example, if investors don’t want any exposure to tobacco in their portfolios, they can exclude not only cigarette producers, but also providers of related products and services and to some degree also retail and holding companies. In addition, they can define thresholds beyond which an investment is no longer allowed, for instance a maximum limit of 0.5 or 10 percent for a company’s share of tobacco-related sales. Of the many exclusion criteria, two are becoming increasingly important: controversial weapons as well as thermal coal and other fossil fuels. These two are used to clear portfolios of investments tied to fossil energy.

Obviously, picking the “right” exclusion criteria is extremely important. A careless selection could not only hamper the performance, but also produce a portfolio contrary to one’s convictions.

2. Positive/best-in-class screening:
Typically, applied prior to the traditional financial analysis, the best-in-class (BIC) approach follows a stable and standardised process focussing on companies that surpass their peers in terms of sector-specific ESG achievements. A portfolio constructed along these lines can reduce risks and present opportunities that traditional financial analysis wouldn’t be able to spot. In recent years, such classifications have become much easier owing to vastly improved data quality. Specialised rating agencies can now aggregate such information, which investors use as a basis to identify potential portfolio candidates.

3. Norms-based screening:
This is the screening of investments against minimum standards of business practice based on international norms. An often used source of reference is the United Nations Global Compact, which is an initiative to encourage businesses worldwide to adopt sustainable as well as socially responsible policies and to report on their implementation. It encompasses 10 principles for companies that face issues tied to human rights, labour rights, the environment and corruption.

4. Integration of ESG factors:
This represents the systematic and explicit inclusion by investment managers of environmental, social and governance (ESG) factors into traditional financial analysis. This method differs from so-called positive screening, which is applied prior or after the financial valuation. Here, the sustainability and the financial analyses occur at the same time, i.e. the sustainability assessment directly influences the valuation of a company, either by identifying opportunities or revealing risks.

5. Sustainability-themed investing:
Various developments in technology, politics, resources and social regions can help in picking a theme with the potential to generate market-beating returns in the long term. Over the past few years, disruptive ideas, innovations and economic necessities have reshaped our economy and the way we think about “sustainable” investing. As a consequence, thematic investing often has an ESG bias. The corresponding investment products typically have a high share of companies active in areas such as “clean” technology and energy as well as sustainable water use. Therefore, the focus of thematic funds is on companies whose impact on the environment is favourable (or less detrimental than that of their peers). This is especially relevant for investments in traditional energy sources like oil and gas – a sector where ecological damage can be significantly reduced by modern technology.
6. Impact-community investing:
These are targeted investments, typically made in private markets, aimed at solving social or environmental problems. This includes community investing, where capital is specifically directed to traditionally underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose.

7. Corporate engagement and shareholder action:
This is the use of shareholder power to influence corporate behaviour, including through direct corporate engagement (i.e. communicating with senior management or boards of companies, or both) or filings. Investors’ objectives can differ considerably. Some want to change critical behaviour that may threaten the financial performance, while others aim to make the company comply with sustainability guidelines.

In this whitepaper, we will first give a short historical overview of the development of Sustainable Investing. The aim is to explain the roots of the three motivations for sustainable investing that form the core of our definition of ESG investing (“feel good”, “do well” or “do good”). We will then detail our philosophy and show how we go about integrating the different approaches to ESG under one roof – or, conversely, how we give our sustainability-investment teams considerable wiggle room to follow their own processes. Lastly, we will discuss the details of our different approaches to sustainable investing and where they are placed in the motivation “triangle”.

The beginning of sustainable investing in the US can be traced to the impassioned political climate of the 1960s. In the US, this decade was marked by social unrest over the country’s involvement in the Vietnam War and an acrimonious fight for civil rights. At that time, many universities started reviewing their investments policies, wishing to reflect their students’ push for social responsibility and accountability. Resistance to South Africa’s Apartheid regime and various natural disasters later added urgency to such calls. Eventually, the idea of responsible, or sustainable investing reached Wall Street. Today, we can distinguish three strands: investors generally want either to “feel good”, “do well” or “do good” – and sometimes a combination of all three.

The seeds sown in the Vietnam-war era bore fruit during the years of economic sanctions against South Africa, some of which had an explicit investment focus. Acting on the so-called Sullivan Principles1, many public and private investors throughout the United States began pulling back from companies operating in South Africa. This was a piece in the jigsaw puzzle that eventually brought the Apartheid regime down.

The branch of sustainable investing that emerged from these trends was aimed to align moral and ethical values
Vietnam unrest and South African sanctions give rise to responsible investing

With investment decisions. This was done primarily by banning shares belonging to doubtful sectors such as alcohol, tobacco, “adult entertainment”, defense and nuclear energy from portfolios.

From the emergence of the ESG triangle …
Traditionally, investment managers mostly ignored the material impact of environmental, social and governance criteria (see chart 1) on financial performance. This narrow view began to change in the late 1970s and 1980s when large corporations such as Exxon Valdez (linked to the disastrous oil spill in Alaska) and Union Carbide (connected to the explosion of chemical plant in the Indian city of Bhopal) faced the consequences of natural and human catastrophes. These events saw the emergence of organisations rating environmental and social responsibility of publicly listed companies, eventually forcing them to publicise their strategy regarding the efficient use of resources and labour rights, for example.

Another element that has dramatically increased in importance is corporate governance – a term that encompasses a multitude of elements such as the division of power within companies or their relations with shareholders. Corporate-governance issues were at the core of major scandals involving energy company Enron and security-systems company Tyco International, leading to the 2002 passage of the so-called Sarbanes-Oxley Act in the US. This law set new or more stringent governance standards for most of corporate America. As regards the asset-management industry, the development led to the systematic integration of environmental and social criteria in the active investment process for sustainable portfolios.

… to thematic and impact investing
Sustainability aspects play a very prominent role in thematic and impact investing as well. The former typically focuses on social or environmental needs that create a commercial growth opportunity with potentially market-beating returns. Many so-called thematic funds investing in companies that address air, water and soil pollution, for instance, fall into this category. Impact investing goes one step further in that it aims to tackle social or environmental challenges in a measurable manner. While there are ongoing discussions about the definition of impact investing, the

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1 In 1971, Reverend Leon Sullivan, at the time a board member of General Motors, drafted a code of conduct for business in South Africa.
double objective – a focus on measurable problem solving as well as on optimising financial returns – distinguishes impact investing from other sustainable approaches and philanthropy. Impact investing was originally confined to private-equity markets and microfinance. It is still a matter of discussion whether the idea of impact investing is applicable to publicly listed companies, as the measurement of impact might not be possible. However, it is definitely an exciting trend to watch in the future.

**Sustainability focus boosts companies’ profits**

The close connection between a corporate focus on ESG aspects and a company’s financial performance is well documented. According to a comprehensive analysis by Friede, Busch and Bassen (2015), approximately 90 percent of academic studies find a non-negative correlation of these aspects (positive data in 47.9 percent of vote-count studies and 62.6 percent of meta-studies). Further findings are summarised in chart 2.

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**Chart 2: Academic evidence: ESG contributes positively to financial performance (recent, large meta-study)**

<table>
<thead>
<tr>
<th>Performance effect of ESG considerations on equities</th>
<th>Performance effect of considerations regarding environmental, social and governance (ESG) standards</th>
<th>Performance effect of ESG considerations in DM versus EM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>Performance effect of considerations regarding environmental, social and governance (ESG) standards</td>
<td>Performance effect of ESG considerations in DM versus EM</td>
</tr>
<tr>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>52%</td>
<td>59%</td>
<td>38%</td>
</tr>
<tr>
<td>4%</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Similarly, Clark, Feiner, & Viehs (2015) found that 80 percent of 200 reviewed academic studies revealed the favourable effect of good sustainability practices on share prices. A further finding was that sound sustainability standards lower the cost of capital for companies (found by 90 percent of the studies on cost of capital). Moreover, 88 percent of the studies showed that solid ESG practices result in better operational performances of the companies.

Source: ESG and financial performance: aggregated evidence from more than 2000 empirical studies (Friede, Busch & Bassen, Dec. 2015)
“Sustainable” investing has taken many shapes through the decades. An investor wishing to engage in this area is typically driven by one or several of the following motivations: the alignment of investments with moral and ethical values, the integration of ESG factors into investment processes and, lastly, investment decisions aimed at supporting environmental and social developments. Or simply put: “feel good”, “do well” or “do good”.

This is also the framework at the core of our own definition of ESG investing (see chart 3).

**PRI: the champion of responsible investing**

The trend to integrate environmental, social or corporate-governance (ESG) aspects into investment processes has gained considerable momentum over the past decade. The dominant industry association, the United-Nations-supported Principles for Responsible Investment (PRI), celebrated its 10th anniversary in April 2016. Currently, the number of signatories exceeds 1,400 institutions with aggregate net assets of more than 60 trillion US dollars. It comes as no surprise that these numbers have increased since the financial crisis of 2008/09 when trust in the structures and relationships underlying financial markets broke down.

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**Chart 3: Our definition of ESG investing**

- **Alignment of moral and ethical values**
  - “feel good”
  - Values are aligned with portfolio
  - Customisation of the investable universe by excluding controversial activities and sectors
- **Integrate ESG factors into investment decisions**
  - “do well”
  - Consideration of ESG factors alongside financial data for investment decisions in order to improve financial returns
  - Source of “alpha” – consideration by an active portfolio manager regardless of clients’ values
- **Create a positive impact next to financial returns**
  - “do good”
  - Application to specific asset classes. Requires specific reporting to measure the positive impact

Source: MSCI ESG Research, Vontobel Asset Management
3. Our approach to sustainable investing – covering a wide range

As a global asset manager with a long track record in sustainable investing dating back to 1994, our main aim is to generate extra returns while allowing our clients to invest in line with their moral and ethical values. We believe clients’ interests are best served by our integration of environmental, social and corporate-governance criteria into the investment process and our independent approach to sustainability matters.

Limited use of exclusion criteria
We use exclusion criteria only to a certain degree and mostly for financial reasons. Rather than imposing our own moral or ethical values on our clients, we want to help them choose their own. As a consequence, we only exclude certain controversial sectors and activities such as controversial weapons, tobacco and severe violations of international norms.

Vontobel Asset Management with its multi-boutique set-up is well-placed to cover the entire spectrum of potential client needs, in our opinion. Our organisational structure allows for a high degree of independence of the various investment teams, which fosters innovation. Therefore, Vontobel-branded “sustainable” portfolios can significantly differ from each other in terms of investment approach and processes. However, the principles governing our sustainable approach to business are clearly defined in our group-wide sustainability guidelines. They provide the framework for our efforts in the field of sustainability and form the basis for measures to achieve continued improvements. Vontobel’s commitment to sustainability is enshrined within the organisation. The Sustainability Committee, chaired by the CEO, ensures that our sustainability guidelines are put into practice by setting specific goals, defining measures and overseeing their implementation. Responsible for the implementation of the guidelines in Vontobel Asset Management is the ESG Investment Committee, overseeing all sustainable strategies (current assets under management of around 11 billion Swiss francs). This body, consisting of representatives of most boutiques of Vontobel Asset Management, ensures a common standard across investment boutiques as well as strategies and defines the philosophy in the area of sustainable investment.

A common belief – avoid pitfalls, anticipate successes
While our teams have considerable room to manoeuvre in constructing “sustainable” portfolios, they do have common values. One of them is the belief that incorporating ESG criteria can reduce financial risks and generate extra returns. This view is based on academic research and a strong track record of our sustainable investment products over the years. By assessing a company’s achievement in the area of ESG early on in the investment process, we aim to minimise financial risks in the portfolio. Here’s a concrete example: a proper ESG analysis of Volkswagen AG before the “Dieselgate” scandal could have revealed the lack of governance and averted heavy losses in investors’ portfolios. Volkswagen shares tumbled by up to 40 percent (and yet have to recover fully) after news of its cheating on US emission tests and a subsequent massive recall of millions of vehicles.

Yet our approach is not just about avoiding such pitfalls. We also hope to anticipate “positive shocks”. For instance, we aim to engage in companies producing technologies for improving resource and energy efficiency that have the potential to enter new markets and unlock sources of revenue. Favourable news can propel the stocks suddenly upwards. The share price of electric-car company Tesla Motors, for instance, increased fourfold during 2013. This approach by no means applies to equities only: the inclusion of ESG criteria in fixed-income investment processes also offers potential, both at the corporate and at the sovereign-debt level.

Another aspect of sustainable investing is active shareholder involvement in companies they invest in – a principle we cherish. By executing our voting rights at annual general meetings and constantly engaging with management boards, we can influence corporate actions. Ideally, this contributes to return-enhancing or risk-reducing changes.

Carbon footprint of investment products
There is a broad consensus that climate change needs to be contained within 2°C of global warming. The Paris Agreement, which took effect on 4 November 2016, accelerates the transition towards a low-carbon society. Asset managers, too, have started worrying about carbon emissions owing to rising regulatory pressure and the financial industry’s aim to increase transparency on its exposure to climate change.
We regularly measure the so-called carbon footprint of our sustainable investing products to better understand our impact and financial exposure and report the results transparently. For one of our thematic funds, in collaboration with the South Pole Group, we went beyond the carbon footprint. In this case, we measured the potentially avoided carbon emissions (PAE), a yardstick that can help identify potential winners in the transition towards a low-carbon society. The PAE figure expresses a company’s emissions along the entire value chain and compares them with a benchmark. Therefore, the method also covers emissions caused by the use of a product. This is very important as the carbon-footprint calculation is only based on manufacturing data.

After outlining the basics of our sustainable-investment processes, let’s look at the details of our boutique set-up in the next chapters.

The ESG Investment Committee sets the course for the sustainability-investing strategy across Vontobel Asset Management. Moreover, it fleshes out the investment philosophy containing our definition of sustainable investing, our beliefs and our guiding principles. These standards apply for all boutiques, regardless of the complexity of their offerings. The ESG Investment Committee also coordinates all matters regarding sustainable investing such as interaction with research providers, active promotion and communication inside and outside of Vontobel. This set-up allows for independent strategies generating many possibilities, yet upholding a common standard. Chart 4 and the comments below illustrate where we offer sustainable investing in our boutique structure.

Simple client-specific solution: Vontobel universe
All boutiques have access to the Vontobel universe, which follows a standard best-in-class screening paired with exclusion criteria. The exclusion criteria can be modified upon client request.

Third-party universes:
For more than 10 years, we have successfully managed assets for Raiffeisen based on the Futura universe in the Multi Asset, Fixed Income and Thematic Investing boutiques.

Chart 4: Every boutique has access to sustainability data and know-how but uses it differently

A common sustainability investing philosophy unifies our definition, presents guiding principles and ensures standards.

The boutiques are either entirely focused on sustainability investing or have distinctive offerings with ESG integration among their strategies.

The boutiques are able to manage strategies based on third-party ESG universes or offer simpler client-specific solutions (e.g. exclusion criteria), but do not have a distinctive sustainability-investing offering.

Source: Vontobel Asset Management

For institutional investors only

Investors’ Insight 9
The Sustainable Investing Boutique – a strong, flexible and responsible way

Sustainable Investing, our newest boutique, boasts a time-honoured approach that rigorously places sustainability first. It is a welcome addition to Vontobel’s excellent and diverse sustainability offering.

The new boutique’s investable universe is defined by a combination of negative screening (exclusion criteria) and positive screening (sustainability ratings). The sustainability analysis, which is applied to companies, governments, public-sector financial institutions and real-estate investments, is based on fundamental, in-house sustainability research. We also use external raw data provided by Asset4 and qualitative information by Sustainalytics. This information is used to create company-specific as well as industry-specific sustainability ratings that are used to feed our Vontobel Sustainability Monitor (see chart 5). This holistic approach sets us apart from our peers, enabling us to not only analyse company-specific sustainability, but also the impact of every sector. Other merits include the possibility of countless modifications, based on sector preferences, company preferences and exclusion criteria. Moreover, investors benefit from a substantial reputational gain thanks to the proven and credible sustainability concept. In addition, this approach can lead to significant outperformance. Over the past 10 years, the returns of the universe exceeded those of the benchmark by an average 0.6 percent annually. The Sustainable Investing Boutique offers this approach for its multi-asset, equity, fixed-income and real-estate funds.

The Thematic Investing Boutique

Unlike the Sustainable Investing Boutique, the Thematic Investing Boutique focuses purely on equity. It has three independent teams – mtx, Global Trends and Swiss Equities. There is no core investment universe; each team has a particular approach detailed below.

The mtx approach – financial analysts and ESG experts collaborate

In this case, ESG data are an integrated part of the financial analysis – in contrast to the pre-process application of a best-in-class filter, for example. By integration we mean a focus on ESG issues that are most likely to impact cash flows and, therefore, the investment case for a company. To get a holistic view of ESG issues, our sustainability specialists and financial analysts interact constantly. Their work flows into our proprietary sector-specific minimum-standards frameworks, a core ingredient of our ESG analysis. As each industry exhibits different challenges and opportunities, the integration of ESG criteria into investment decisions cannot be a “one size fits all” process. Instead, we have to take a hard look at every single company, and the minimum-standards framework helps us to go about this in a consistent and disciplined manner (see chart 6).

The specific challenges of ESG in emerging markets

As can be expected, external ESG research data concerning emerging-market companies are hard to come by. Therefore, our analysts tend to do the work themselves. They enter into direct dialogue with specific companies (using translators if need be) to gain information that would otherwise be out of reach. This can be to the benefit of both parties: companies often welcome our views on their improvement potential and ESG-specific stakeholders’ interests. Such interaction not only heightens their general awareness of the importance of sustainability, but also enables us to gauge the company’s progress.
Chart 6: Example of a minimum-standard framework evaluation for a consumer-discretionary company

<table>
<thead>
<tr>
<th>Environment</th>
<th>Weight 40 percent</th>
<th>Social</th>
<th>Weight 30 percent</th>
<th>Governance</th>
<th>Weight 30 percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment-management system</td>
<td>4.2</td>
<td>Employee relations</td>
<td>4.2</td>
<td>Board accountability</td>
<td>4.2</td>
</tr>
<tr>
<td>- No explicit policy to manage a company’s impact on the environment</td>
<td></td>
<td>- Non-discrimination and freedom-of-association policy in place</td>
<td></td>
<td>- Five out of eight board members independent</td>
<td></td>
</tr>
<tr>
<td>- Complies with local laws and regulation</td>
<td></td>
<td>- Operations meet local health and safety regulations</td>
<td></td>
<td>- Combined CEO/chairman position</td>
<td></td>
</tr>
<tr>
<td>Eco-efficient operations</td>
<td>4.2</td>
<td>Social and economic development</td>
<td>4.2</td>
<td>Shareholder rights</td>
<td>4.2</td>
</tr>
<tr>
<td>- No greenhouse-gas emissions or energy-consumption disclosure</td>
<td></td>
<td>- Code of conduct in place but not disclosed</td>
<td></td>
<td>- One share one vote</td>
<td></td>
</tr>
<tr>
<td>- Commitment to disclose more information going forward</td>
<td></td>
<td>- Clear customer-management procedures</td>
<td></td>
<td>- No controlling shareholder</td>
<td></td>
</tr>
<tr>
<td>Product stewardship</td>
<td>4.2</td>
<td>Supply-chain management</td>
<td>4.2</td>
<td>Independent board members</td>
<td>4.2</td>
</tr>
<tr>
<td>- Operations subject to hazardous-materials regulations (REACH)</td>
<td></td>
<td>- Requires certificates from suppliers (compliance with local regulation)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Commitment to eliminate hazardous materials further</td>
<td></td>
<td>- Violations not addressed by third party result in termination of relationship</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weight and score</td>
<td>4.2</td>
<td>5.0</td>
<td></td>
<td>7.5</td>
<td></td>
</tr>
</tbody>
</table>

Source: Vontobel Asset Management, mtx

For institutional investors only
Global Trends – specialised companies with prospects

At the core of our investment strategy is the belief that our economy is moving towards a sustainable future. Therefore, companies operating in these areas not only advance this development, but are the potential titans of the future economy. Because of this, we are looking at many different corporate areas. We are also partly aligned with the Sustainable Development Goals (SDG), examples see below) as we want to contribute to the closing of the 2.5 trillion US-dollar investment gap that stands between the present and a sustainable future.

Progress is therefore needed on all fronts. Investing in companies that have the most potential to address environmental issues in this area may give our economy enough time to transition towards a carbon-neutral one. Motivated by this, we initiated, in collaboration with the South Pole Group, the world’s first analysis of potentially avoided emissions of publicly listed companies in our cleantech strategy. With this analysis, we not only want to demonstrate the environmental impact of our underlying portfolio holdings, but also seek to motivate other investors. The more similar analyses there are, the higher the awareness will be.

Of course, not all “clean technology” companies will automatically turn into financial success stories. To single out the possible winners, it takes extensive research, deep industry knowledge as well as fundamental financial and ESG analyses.

Many energy companies are already feeling the consequences of climate change and the increased scrutiny from financial regulators as well as investors. There is intense pressure particularly on the carbon-intensive coal and oil-sand industries to reduce CO₂ emissions. According to the estimates of Carbon Tracker, the British non-governmental organisation, 60 to 80 percent of the reserves of listed energy companies will become unusable if pledges to limit global warming are followed through. Such former highly priced reserves might become so-called “stranded assets”.

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Investors’ Insight
For institutional investors only
Swiss Equities – the fortress of performance and knowledge
Acting in the long tradition of Vontobel’s successful management of Swiss securities, the Swiss Equities team has been following the topic of sustainable investing for more than 15 years, developing a broad range of strategies. It uses a blend of a standard best-in-class screening and in-house research, which is inspired by the mtx approach. The result is an approach tailor-made for the Swiss market. Besides successfully managing our own funds, the Swiss Equities team has vast experience in the area of third-party ESG products. Combining Vontobel’s top-quality investment prowess with such third-party universes has resulted in successful performance of the sustainability funds managed by the Swiss Equities team.

In 2016 and over the last three and five years, the team outperformed its benchmark. Over a longer investment horizon, the strategy that we manage on behalf of our co-operation partner Raiffeisen deserves a special mention. Between 2012 and 2016, it has won the award of best fund in Lipper’s “Equity Switzerland” category over a period of 10 years, five times in a row. Taking all asset classes into account, this strategy is one of the largest actively managed sustainability funds in Switzerland with an investment volume exceeding 750 million Swiss francs.

<table>
<thead>
<tr>
<th>Process</th>
<th>Description</th>
<th>ESG Integr.</th>
<th>Best-in-class</th>
<th>Thematic screening</th>
<th>Exclusions</th>
<th>Research partners</th>
<th>Proxy voting and engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thematic Investing, Global Leaders</td>
<td>Proprietary framework integrated into fundamental analysis of companies. The aim is to assess the impact of ESG risks on ROIC of invested companies. Direct and indirect engagement with companies.</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Weapons, tobacco, nuclear energy (&gt;20% of nuclear power-generation capacity)</td>
<td>We use qualitative information of Sustainalytics and MSCI ESG Governance Metrics</td>
<td>Proxy voting and collaborative engagement outsourced to Hermes EOS.</td>
</tr>
<tr>
<td>Thematic Investing, Global Trends</td>
<td>Thematic universe already excludes many controversial areas. ESG information is used for fundamental analysis if available, but no systematic screening or integration.</td>
<td>Partially</td>
<td>Yes</td>
<td>No</td>
<td>Weapons, nuclear energy (&gt;20% of nuclear power-generation capacity, &gt;5% revenues from supply of core components to nuclear-power stations), coal, uranium, palm oil, oil sands</td>
<td>We use qualitative information and ratings of Sustainalytics</td>
<td>Proxy voting and collaborative engagement outsourced to Hermes EOS.</td>
</tr>
<tr>
<td>Sustainable Investing Boutique</td>
<td>Universe of global equities and bonds combining a modified best-in-class approach with exclusion criteria. Universe is applied to multi-asset, equity, fixed-income and real-estate portfolios within the boutique.</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Weapons, tobacco, pornography, gambling, GMO in agriculture, nuclear, chlorine, agrochemicals, airlines, companies with labour-rights issues</td>
<td>We use a proprietary assessment model based on external raw data (Asset4/Thomson Reuters), qualitative information (Sustainalytics)</td>
<td>Proxy voting based on ISS recommendations, engagement integrated into research process.</td>
</tr>
</tbody>
</table>

Products managed on behalf of clients / sustainability processes designed by clients:

- **Futura**: Universe for global/Swiss equities and fixed-income portfolios combining exclusion criteria and a strict best-in-class approach.
  - Nuclear, GMO in agriculture and medicine, weapons, alcohol, tobacco, pornography, gambling, several controversial activities
  - Inrate
  - Proxy voting and collaborative engagement outsourced to Ethos.

- **Ethos**: Universe for Swiss equities combining exclusion criteria (controversies and norms-based) and a best-in-class approach.
  - Armament, gambling, GMO in agriculture, nuclear energy, pornography, tobacco
  - Ethos
  - Proxy voting and collaborative engagement outsourced to Ethos.
Originally rooted in the desire to align investment portfolios with personal values, sustainable investing is nowadays a well-developed and segmented market. To do justice to this diversity and investor preferences, we approach sustainable investing in an independent and flexible manner. Our multi-boutique approach is well-equipped for this. We provide and manage various sustainable-investment strategies in our two specialised boutiques and offer simple client-specific solutions across Vontobel Asset Management.

We are focused on delivering strong performance and developing these personalised solutions. Over the past three years, the majority of our sustainability strategies outperformed their benchmarks. With assets under management of 11 billion Swiss francs, we are one of the leading asset managers for sustainability in Europe and Switzerland and across all our sustainable strategies we have registered an annual growth rate of 23 percent since 2013. We will continue our mission to provide attractive, personalised and innovative solutions to our investors, as well as promoting sustainable investments inside and outside of Vontobel.
Important legal information:
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