

## Investing sustainably based on your ESG preferences

Information to aid the selection of  
ESG preferences for clients with  
managed solutions and advisory  
services mandates

November 2023

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Further information: [vontobel.com/sustainability](https://vontobel.com/sustainability)

# What's it all about?

As a process, sustainability offers an opportunity to take the initiative and show foresight in charting a course for the future. For us, that means ascertaining and understanding our clients' expectations with regard to sustainability. Only by doing so can we transparently advise you on the impact that various investment instruments have on environmental, social and governance (ESG) factors.

The Swiss Bankers Association (SBA) adopted guidelines on the integration of ESG preferences and ESG risks into investment advice and portfolio management (SBA guidelines) in 2022<sup>1</sup>. In accordance with these guidelines and in an effort to provide our clients with a straightforward ESG offering, we will implement the following changes from January 1, 2024:

- informing our clients of our range of ESG solutions
- registering your preference as to which ESG indicators should be taken into account in your investment solution
- taking ESG indicators tailored to these preferences into account in managed solutions and advisory services

Our experts have defined an in-house framework of ESG preferences and indicators to implement the SBA guidelines, so we can offer you optimal support in the selection of your ESG preferences. At the same time, this gives us an accurate picture of your beliefs when it comes to investment.

This brochure explains what ESG preferences are and their significance for you as an investor. It provides you with all the relevant information you need to select the ESG preference that best speaks to your values. Key terms relating to sustainable investing are described in more detail in the glossary at the end of the brochure.

<sup>1</sup> Guidelines for the financial service providers on the integration of ESG preferences and ESG risks into investment advice and portfolio management, [swissbanking.ch](https://www.swissbanking.ch)



# Our ambition

We attach great importance to competent, forward-looking advice. In turn, we are keen to work with you to find investment solutions that reflect your personal beliefs. As our advisory and wealth management service forms part of a holistic approach, we incorporate your ESG preference as well as important factors like the investment horizon, your risk capacity, and your risk tolerance.

Our Relationship Managers will explain to you how and to what extent different ESG approaches and indicators are implemented within the various products and investment opportunities. To further reinforce the requisite expertise for this at our company, we provide our employees with regular training on sustainability and sustainable investments.

Vontobel has been committed to responsible and far-sighted investing for generations<sup>2</sup>. We have detailed how we intend to continue this in the worlds of business and society in six sustainability commitments.

Two of the six commitments bear a direct relation to the new SBA guidelines and the integration of the ESG preferences into the advisory process.

## Excerpt from Vontobel's six sustainability commitments:

**Advise our private clients about the benefits, opportunities and risks of ESG investments.**

**Incorporate ESG considerations into active investment decisions.**

## New self-regulation in the field of sustainable finance

As the industry association for Swiss banks, the SBA is committed to improving the framework conditions for sustainable investing on an ongoing basis. The newly adopted SBA guidelines aim to instill sustainability as an integral part of consultations relating to managed solutions and advisory services mandates. One of the ways banks will implement this will be by registering their clients' ESG preferences.

In light of the complexity, the lack of widely accepted definitions and the subjective estimations of sustainability, there is a risk of investors' expectations not being met with regard to the sustainability of their investments. One of the SBA's ambitions is to counteract this risk. As well as requiring ESG preferences to be registered, the SBA's guidelines call for transparency when it comes

to the description of the methods, approaches and indicators used to select products. This same stipulation applies to the reports used to inform clients of the sustainability of their portfolio.

## ESG preferences at Vontobel

Sustainable investing and the commitment to a better future have a long tradition at Vontobel—and implementing the SBA guidelines sees us honor this. You can now choose the one which most closely reflects your values from three defined ESG preferences. We will record your choice, and this will be taken into consideration by your Relationship Manager in advisory services and managed solutions.

Investing in products that are aligned with your values should be a simple, convincing and transparent process. For that reason, Vontobel has decided to give its clients a choice of three ESG preferences: (1) "Risk-adjusted performance"—the minimum standard for all wealth management products, (2) "Mitigation of negative effects"—the standard that surpasses the minimum standard, and (3) "Positive contribution"—the highest standard in relation to sustainability.

## How you benefit as a client:

- You can choose between three clearly defined and easy-to-understand ESG preferences.
- Along with the client statement, you will receive a report tailored to your chosen ESG preference with detailed information on ESG indicators and the corresponding improvement options.
- With advisory services, you will see the impact of transactions on the sustainability of your portfolio in the investment proposal.
- Furthermore, compliance with the portfolio indicators defined in accordance with your ESG preference will be monitored on an ongoing basis.

<sup>2</sup> [vontobel.com/sustainability-report](https://vontobel.com/sustainability-report)

# Choosing the right ESG preference




Determining the right mandate and individual investment strategy now includes a choice of one of our three ESG preferences for every portfolio.

In managed solutions, the choice of your ESG preference dictates which mandates are suitable for you. The Portfolio Manager applies the corresponding ESG indicators for this. When it comes to advisory services, your chosen ESG preference influences the choice of investment instruments. This will provide your Relationship Manager with a greater or smaller range of investment instruments that can be recommended to you, taking into consideration your ESG preference and investment objectives. You will always have the option of selecting investment instruments yourself, even if these do not correspond to the indicators of your selected ESG preference. However, the Relationship Manager is obliged to regularly review and discuss with you whether or not you would like to retain these investment instruments in your portfolio.


The three ESG preferences defined by Vontobel are underpinned by different approaches to measuring and categorizing sustainable investment.


This three-tier solution will make it easy for you to deter-


## ESG preferences

-  **Risk-adjusted performance**
-  **Mitigation of negative effects**
-  **Positive contribution**

mine your ESG preference. Each of the three standards builds on the previous one. For instance, if your beliefs coincide primarily with the ESG preference “Mitigation of negative effects,” the indicators of the “Risk-adjusted performance” minimum standard are also included in this.

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**Risk-adjusted performance**  
This ESG preference is defined as the minimum standard and factors in significant financial ESG risks to maximize returns. Unlike the other ESG preferences, this approach does not pursue any explicit ESG objectives and thus leaves the largest possible investment universe available to you. It is therefore primarily suited to clients focused predominantly on returns. We apply the indicators of this minimum standard across all our mandates.
- 

**Mitigation of negative effects**  
This middle standard factors in sustainability-related risks while at the same time excluding individual sectors and companies—such as businesses within the fossil fuel industry. By opting for this preference, you choose to forgo investing in companies whose activities and/or products negatively impact society or the environment. If, for instance, you would like to avoid investing in companies active in controversial sectors (such as tobacco and conventional weapons), this will be taken into account, with these indicators applied by default.
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**Positive contribution**  
This ESG preference includes all of the indicators mentioned above. Additionally, the focus is on investments in companies whose products and services have a positive impact on the environment and/or society. The classification is based on the United Nations Sustainable Development Goals (SDGs). The ESG preference “Positive contribution” is characterized by strictly defined indicators which all investments and products must satisfy. This sees the investment universe restricted accordingly.



# Next steps and implications for you as an investor




This brochure is intended to serve as a guide that informs you about the ESG preferences and familiarizes you with our approaches and methodologies. Your Relationship Manager will help you to clarify any unanswered questions and will assist you in choosing your ESG preference. If you decide you want to change this as time goes on, you can notify us of this at any point. Adjusting your ESG preference may result in a managed solution no longer corresponding to your choice or, in the case of an advisory service, the products in your portfolio no longer aligning with your ESG preference. Since an ESG preference is selected for each specific portfolio, the ESG preferences defined may vary from one portfolio to another.

If you don't want to define an ESG preference, the "Risk-adjusted performance" minimum standard will be applied by default. You can change this at any time, but this is subject to the aforementioned restriction: Depending on the newly applied ESG preference, it may no longer be possible to continue an existing mandate (particularly if a more restrictive ESG preference is selected).

# Classification of investments and products in advisory services

To ensure that we only propose products that correspond to your selected ESG preference, each investment instrument in the Vontobel investment universe is assigned to one of the three preferences based on pre-defined

indicators. If one of the instruments fails to meet the requirements of your selected ESG preference, this is indicated accordingly in the investment proposal.

ESG PREFERENCES	EQUITIES AND CORPORATE BONDS	GOVERNMENT BONDS	FUNDS
<b>Risk-adjusted performance</b> 	<ul style="list-style-type: none"> <li>Companies that have no link to controversial weapons and do not violate any international norms</li> <li>MSCI ESG rating of AAA – BB</li> </ul>	One of the following conditions has not been met: <ul style="list-style-type: none"> <li>Ratified signatory to the Paris Climate Agreement</li> <li>Freedom House status: free</li> <li>No EU and UN sanctions</li> </ul>	<ul style="list-style-type: none"> <li>The fund exists within the Vontobel investment universe, but does not pursue any sustainability goals.</li> </ul>
<b>Mitigation of negative effects</b> 	<ul style="list-style-type: none"> <li>Companies are reviewed to assess whether their sales in the following business activities fall below a level defined by Vontobel: conventional weapons, tobacco production, thermal coal, fossil fuels. These companies also have an implied temperature rise and carbon footprint below a set level.</li> </ul>	<ul style="list-style-type: none"> <li>Ratified signatory to the Paris Climate Agreement</li> <li>Freedom House status: free</li> <li>No EU and UN sanctions</li> </ul>	<ul style="list-style-type: none"> <li>All funds that exist within the Vontobel investment universe and contribute to sustainability goals.</li> </ul>
<b>Positive contribution</b> 	<ul style="list-style-type: none"> <li>In addition to the criteria above, the company must contribute significantly to the SDGs via its business activities.</li> </ul>	<ul style="list-style-type: none"> <li>No instruments available</li> </ul>	<ul style="list-style-type: none"> <li>In addition, the instrument must make a significant contribution to the SDGs or be deemed a sustainable product under EU regulation (Article 9 of the SFDR).</li> </ul>

A distinction is made between the following three classifications for investment instruments which cannot be assigned to any of the aforementioned ESG preferences.

CLASSIFICATION	
<b>Out of scope</b>	Instruments such as cash deposits, foreign exchange or loans may not be related to sustainability and can therefore not be classified based on sustainability criteria. These instruments may, however, be present in portfolios.
<b>Not covered</b>	Companies which have no MSCI ESG rating OR which could not be examined for violations of international standards OR whose business activities are unknown AND which are not covered by the Vontobel research team fall into the “Not covered” category. For you as an investor, this means that these investments cannot be assessed against indicators and cannot be presented to you in an investment proposal or client statement. Likewise, funds not belonging to the Vontobel universe are not covered.
<b>May not be advised by the Relationship Manager</b>	Companies that are linked to controversial weapons OR violate international norms OR have an MSCI ESG rating of CCC or B are not recommended. Any government bonds can be recommended, provided they are not subject to sanctions.

















# Reporting

You will receive information on the ESG indicators relevant to your selected ESG preference in the client statement. In the case of an advisory services mandate, this information is also detailed in the investment proposal. The extent of the reporting depends on the ESG preference you have chosen. As the client statement does, the

investment proposal highlights any investment instruments that do not correspond to your ESG preference.

You can find an overview of the contents of the reports below. The individual ESG indicators are described in more detail in the appendix.

	ESG RISK INTEGRATION		
<b>Risk-adjusted performance</b> 	Average MSCI portfolio rating 	Companies with violations of international norms 	Companies with links to controversial weapons 
	NEGATIVE SOCIAL EXTERNALITIES	NEGATIVE ENVIRONMENTAL EXTERNALITIES	CLIMATE-RELATED METRICS
<b>Mitigation of negative effects</b> 	Exposure to companies with links to conventional weapons 	Exposure to companies with links to thermal coal 	Carbon footprint 
	Exposure to companies with links to tobacco production 	Exposure to companies with links to fossil fuels 	Implied Temperature Rise (ITR) 
	POSITIVE CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS		
<b>Positive contribution</b> 	SDGs related to environmental issues 	SDGs related to social issues 	

# Glossary

## Definition of key terms relating to “sustainable investing”

### **ESG**

The abbreviation “ESG” covers the three dimensions of sustainability. Environmental aspects include the mitigation of climate change and adaptation to its impacts. At the same time, these also refer to environmental concerns such as preserving biodiversity, avoiding environmental pollution and promoting the circular economy. The elimination of inequality, inclusion and good working conditions fall into the social category. Sustainable social actions additionally include investing in human capital and community and taking human rights into consideration. The governance dimension takes a closer look at the governance of public and private institutions, including governance structures; this also encompasses companies’ HR and remuneration policies. These aspects play a significant role when it comes to factoring social and environmental considerations into the investment decision-making process.

### **Sustainable finance**

Sustainable finance refers to any form of financial service that integrates environmental, social and governance (ESG) indicators into business or investment decisions to the benefit of clients as well as society at large<sup>3</sup>.

### **tCO<sub>2</sub>e**

#### ***Metric tons (t) of carbon dioxide (CO<sub>2</sub>) equivalent (e):***

Carbon dioxide equivalent is a standard unit for the measurement of greenhouse gas emissions, regardless of whether they originated from carbon dioxide or another gas like methane.

For instance, one individual passenger on a long-haul return flight from Paris to New York and back generates an average of around 3.2tCO<sub>2</sub>e<sup>4</sup>.

<sup>3</sup> The importance of sustainability and areas for action, [swissbanking.ch](https://www.swissbanking.ch)

<sup>4</sup> Available in German: Flugverkehr, [wwf.ch](https://www.wwf.ch)

**ESG indicators**

Indicators that financial service providers factor in as part of their ESG investment solutions.

**ESG preferences**

Client preferences serve to assess whether and, if so, which ESG attributes should be integrated into their investment solutions.

**ESG approaches**

Approaches to integrating ESG indicators into the investment process.

**ESG investment solutions**

Investment solutions, i.e., managed solutions and advisory services, that take ESG indicators into account.

**ESG attributes**

The forms in which and extent to which ESG indicators and/or approaches are factored into a financial service provider's ESG investment solutions.

**ESG risks**

Current or future impact of ESG indicators that may positively or negatively impact the value of investment solutions. An example of this might be a factory hall located in an area at risk of flooding.

**Greenwashing**

If bank clients are knowingly or unknowingly misled or deceived with regard to the ESG attributes of financial products and advisory processes, this is referred to as greenwashing<sup>5</sup>.

<sup>5</sup> Available in German: Stellungnahme der SBVg zur Verordnung über die Berichterstattung über Klimabelange, [swissbanking.ch](https://www.swissbanking.ch)

# The ESG indicators explained

Below, you can find a detailed description of all the individual ESG indicators on which the definitions of the three ESG preferences are based. Vontobel uses data from the data provider MSCI ESG.



## MSCI ESG rating

MSCI ESG ratings are designed to identify environmental, social and governance (ESG) risks and opportunities. Analysts research and rate issuers and countries on a scale from AAA (best) to CCC (worst). For companies, the ratings are according to their exposure to industry-specific ESG risks and their ability to manage those risks relative to their industry peers. For governments, the ratings reflect how countries' exposure to and management of environmental, social, and governance (ESG) risk factors may affect the long-term sustainability and competitiveness of their economies.



## Exposure to companies that violate international norms

International norms considered are Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, United Nations Global Compact Principles (UNGC), the International Labour Organization's (ILO) conventions and the United Nations Guiding Principles on Business and Human Rights (UNGP).



## Exposure to companies with ties to controversial weapons

Controversial weapons are defined as cluster munitions, landmines, biological/chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments.



## Exposure to companies with ties to conventional weapons

This includes manufacturers of conventional weapons systems and components whose revenues related to this indicator are equal to or greater than a value defined by Vontobel.



## Exposure to companies with ties to tobacco

This includes tobacco producers whose revenues from the manufacture of tobacco are equal to or greater than a value defined by Vontobel.



## Exposure to companies with ties to thermal coal

This includes companies whose revenues from mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties are equal to or greater than a value defined by Vontobel.



## Exposure to companies with ties to fossil fuels

This includes companies with ties to fossil fuel-related activities, including extraction, processing, storage and transportation of petroleum products, natural gas, and thermal and metallurgical coal.



**Carbon footprint**

This carbon responsibility metric shows the greenhouse gas associated with every EUR 1 million invested in this portfolio. Companies’ emissions are apportioned across all outstanding shares and bonds, based on Enterprise Value including Cash (EVIC). A distinction is made between three categories of greenhouse gas emissions:

**Scope 1:** direct emissions from own or controlled sources

**Scope 2:** indirect emissions from the generation of purchased energy

**Scope 3:** all indirect greenhouse gas emissions (not included in Scope 2) that occur in the company’s value chain, including upstream and downstream emissions



**United Nations’ Sustainable Development Goals (SDGs)**

This report uses the 17 Sustainable Development Goals (SDGs) of the United Nations as a basis for measuring the positive contribution of your investments. Adopted by all the member states of the United Nations in 2015, the SDGs serve as a roadmap for creating a better world for people and our planet by 2030.

This metric relates to companies that make a positive contribution to solving environmental or social challenges. A positive contribution is deemed to be revenue from products or services greater than a value defined by Vontobel for 15 of the 17 SDGs. SDGs 16 and 17 around Governance cannot be systematically attributed to single companies and investments, and are therefore not considered.



**Implied Temperature Rise (ITR)**

The ITR metric provides an indication of how well public companies align with global temperature goals. For the portfolio value the weighted average is used. Expressed in degrees Celsius, the alignment is defined by the two temperature thresholds set by the Paris Agreement climate objectives. We distinguish two categories of misalignment exceeding those thresholds: Misaligned and strongly misaligned.

# Further information

Please note that Vontobel cannot collect sustainability data for companies itself and is instead reliant on data providers and third-party information in this respect. Vontobel has selected these providers with care and reviews these on a regular basis. However, the risk of certain circumstances not yet having been

taken into account in the available data and of said data potentially being inadequate cannot be ruled out.

Further information on sustainable investments at Vontobel can be found on our website.



Photograph the QR code, or access it from the website at [vontobel.com/sustainable-investments](https://vontobel.com/sustainable-investments)



Photograph the QR code, or access it from the website at [vontobel.com/principles-and-policies](https://vontobel.com/principles-and-policies)

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**Adjusting ESG preferences**

The stricter the ESG indicators of the ESG preference selected by you, the fewer products you will have access to. This may restrict the diversification of your portfolio, at least initially. Selecting a higher standard may result in Vontobel being unable to offer you any managed solutions or provide investment advice. If this situation should arise as a result of your preferences, your Relationship Manager will inform you of this. Furthermore, Vontobel would like to make you aware that you may change your ESG preferences at any time, even after you have selected them.

This brochure is intended solely for the purpose of furnishing Vontobel clients with information and providing an overview of how Vontobel implements the applicable regulatory requirements in relation to ESG risks and ESG preferences. It does not constitute an offer or solicitation by or on behalf of Vontobel to use a service, to purchase or sell securities or similar financial instruments or to participate in any particular trading strategy in any jurisdiction. Vontobel cannot be held liable for the suitability, completeness or accuracy of the content of this brochure, especially not on the basis of changes following its publication. Vontobel's General Terms and Conditions of Business or special agreements between the client and Vontobel take precedence.

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