J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841

Sustainable Investments

The Sustainability Newsletter

July 2017

Editorial

Sustainable disruptions ahead!

Dear Reader

With the Paris Agreement of December 2015, countries made a commitment to limit the effects of global warming to well under 2°C compared with pre-industrial levels. Even though the USA (the only country other than Syria and Nicaragua not to have ratified the treaty) intends to take a different route to reduce greenhouse gases, it is becoming increasingly clear that international efforts to "decarbonise" the global economy are in full swing and this trend is now clearly unstoppable.

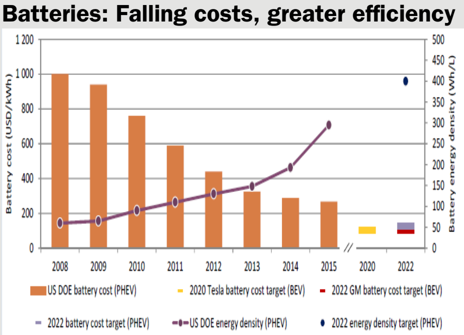
Many forecasts ignore the dynamic

Many sceptics fear that the technical capabilities have still not advanced to the point where the Paris Agreement can be realised in practice. Electric vehicles are often cited as an example: they are too expensive, have a limited travel range and lack the necessary infrastructure. So, although many studies predict high rates of growth for electromobility, these are still much too low to pose a genuine threat to conventional combustion engines. However, we think these forecasts are based on an overly static assessment of the situation which ignores the dynamic effect that technological disruptions can have.

Are we about to experience a disruptive moment?

It does indeed already look as though technological advances will revolutionise the market for electromobility. Figures from the International Energy Agency (IEA) show that the cost of e-vehicle batteries has fallen by a quarter over the period 2008 to 2015, while their energy intensity – a measure of the battery's effectiveness – has almost quadrupled over the same period. Companies such as General Motors and Tesla have set themselves the task of doubling their battery cost/return targets by 2022.

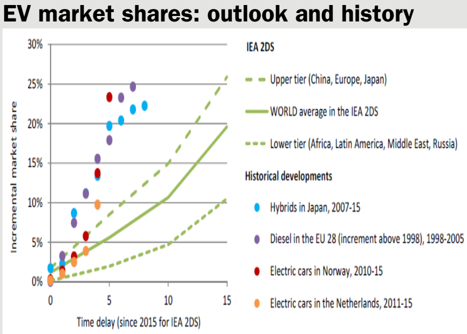
Batteries: Falling costs, greater efficiency



Source: IEA Global Electric Vehicle Outlook 2016, DOE = US Department of Energy, BEV = Battery electric vehicle, PHEV = Plug-in hybrid electric vehicle

The moment when electric autos cost less than conventional vehicles therefore seems to be not too far away. This "disruptive" moment will send shock waves through the automobile market, as the combustion engine will effectively become obsolete from that point onwards.

EV market shares: outlook and history



Source: IEA Global EV (Electric Vehicle) Outlook 2016

Changes are rapid and long term

The above chart illustrates just how radically these technology disruptions will transform our world. Carefully targeted state incentives, brave entrepreneurial decisions and rapid technological penetration have allowed the electromobility market share to grow far more quickly in Norway, Japan and the Netherlands than the IEA's current predictions. One only needs to look at the photos of New York's Easter Parade taken over the period 1900-1913: in 1900, most of the floats are still being pulled by horses, but by 1913 only automobiles can be seen. Today, one hundred years later, we are once again facing upheavals that will bring far more radical changes to our world than we currently imagine. The latest edition of our Newsletter gives readers an insight into what the future may hold.

Best wishes,

Jan Amrit Poser

Chief Strategist and Head Sustainability

Disruptive Technologies pave the way to the Fourth Industrial Revolution

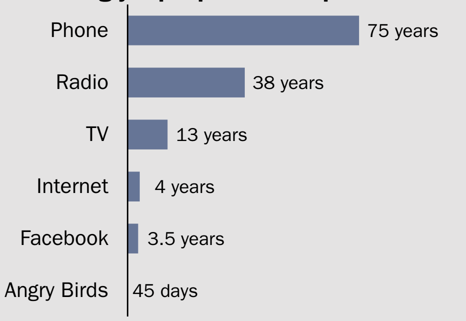
A series of technological breakthroughs, ranging from Big Data processing to Robotics and Automation, are changing current business models and entire industries. The application of technological innovations in many sectors is reaching a tipping point. It offers very high economic rewards but also poses substantial risks. A cross-sector research approach enables a deep understanding of emerging risks and opportunities. Not only technology innovators, but early adopters outside of the IT sector will benefit. The sustainable investment research lens seeks to identify overlooked investment risks like societal acceptance of new technologies and data privacy issues.

On the way to the 4th Industrial Revolution

Today we are at the transition from the Third to the Fourth Industrial Revolution. A number of disruptive technologies, such as Artificial Intelligence, the Internet of Things, Robotics and Autonomous Vehicles, will reshape our world. These trends will have wide-reaching economic, societal and political implications. Similar to revolutions that preceded it, the Fourth Industrial Revolution has the potential to raise global income levels and improve the quality of life. At the same time, this shift also carries the risk of disrupting labour markets and replacing workers with machines, thereby increasing inequality.

The speed, effects and complexity of the current technological revolution have no historical precedent. The chart below illustrates the pace of change. When the telephone was introduced, it took 75 years to accumulate 50 million subscribers, while Facebook has attracted the same number of users in just 3.5 years.

Increasingly rapid pace of adoption



Source: City Digital Strategy Team, J. Safra Sarasin, 2016

Thematic research identifies opportunities along the technology value chain

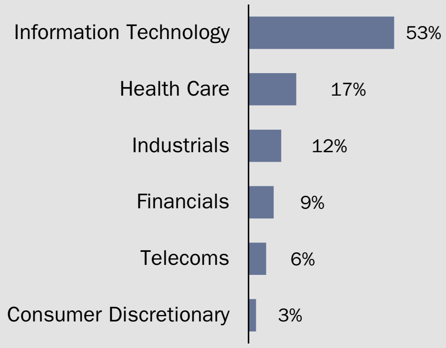
In order to benefit from the fast adoption of new technology opportunities, we have developed a thematic investment approach. Several in-house sector specialists in cooperation with external research partners, academia and industry experts have collected data on private equity capital flows and analysed recent acquisitions done by large-cap technology firms. Our sector analysts have also discussed the mid- and long-term impact of emerging technological trends with industry experts. On that basis, three high-level themes (Information Processing, Connectivity and High-Tech Products) and eight promising and fast-growing investment areas have been defined. 'Big Data and Analytics' is one exemplary investment area of our thematic cross-sector approach. The technology companies provide innovative solutions, while early adopters in several sectors benefit from their first-mover advantage.

Fast growing investment area

Source: J. Safra Sarasin, 2017

In fact, out of the 110 shortlisted firms in our sustainable technology disruptor investment universe, 47% come from the Healthcare, Industrials, Financials, Telecom and Consumer Discretionary (e.g. Automobiles) sectors and the remaining 53% from the Information Technology (IT) sector. We believe that there are many investment opportunities outside the IT sector benefiting from their technology-centric business model. Thus, we introduce a more balanced approach than a pure IT-focused sector approach, spanning the entire economy.

Sustainable Technology Disruptors Universe Overview



Source: J. Safra Sarasin, 2017

Technological disruption is not only about technology firms

As discussed previously our society is at the cross-roads between the Third (Digitalisation) and Fourth Industrial Revolution (Technological Fusion). On the one hand, there is still a big group of industries characterised by a very low level of digitalisation. According to Morgan Stanley, only 27% of the US economy is fully digitalised. On the other hand, massive technological innovation creates new product categories and changes our lives. Our thematic approach responds to these trends. We divide the universe into 'Enablers' and 'Early Adopters'. We believe that technological innovation is not only about high-growth technology firms, but equally about investing in technology beneficiaries that adapt to technological advances faster than their peers. As a result, these early adopters are likely to benefit from a first-mover advantage and gain market share from their competitors.

As confirmation of this development, we have observed that many industries have begun to collide with the world of technology. Incumbents are increasingly aware of the importance of technology in their respective sectors and are aggressively acquiring innovative players or are building these capabilities in-house.

Industrials, Automotive and Healthcare sectors benefit most from the technology revolution

A good illustration of innovative technology adoption is the **Industrials sector**, where companies like Siemens, General Electric, ABB or Schneider Electric are developing digital platforms and automating the production process. The need for a fully integrated business model has resulted in multiple acquisitions of technology companies by the incumbents in the Industrial sector. Some software companies have been successfully developing a strong footprint in the industrial production process and analytics design. The most notable transactions include the acquisition of Mentor Graphics by Siemens for USD 4.2bn in November 2016 and Honeywell acquiring Intelligrated for USD 1.5bn in January 2016.

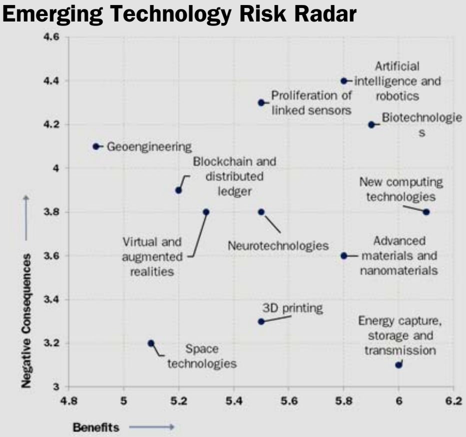
Another example of technology disruption relates to the **Automotive sector**. The car maker Toyota used to crash on average 68 physical prototypes in security tests before putting a single model on the road. Thanks to the implementation of advanced simulation software from the US-based company ANSYS, the car manufacturer was able to reduce this number to 20. It aims to cut the number to six prototypes within the next few years. This represents a significant cost saving for Toyota.

The **Satellite industry** is also experiencing disruption. The traditional players are being challenged by so called High-Throughput Satellite (HTS) operators. The newcomers are placing satellites closer to Planet Earth.
These narrow-beam satellites are able to take much more precise pictures and transfer data in a quicker and more efficient way. Investment managers benefit from this trend, and for instance use satellite pictures of parking spots in front of the shops to verify whether an activity at a store matches the company's guidance.

High benefits and risks of emerging technologies

The rapid pace of technological innovation and interconnectivity present many new emerging risks. The Global Risk Report 2017 published by the World Economic Forum (WEF) explored the topic of emerging technologies and the related benefits and risks in a detailed chapter. The report is based on a survey of 745 global respondents from business, academia, government and NGOs.
The related benefits and negative consequences of emerging technologies are assessed and displayed on a scale from 1 (minimal) to 7 (very high). The chart below provides an overview of how different types of emerging risks are perceived by the survey respondents. 'Artificial Intelligence' and 'Robotics' rank highest on both axes.
The globally recognised report speaks about a 'governance dilemma' on how to govern emerging technologies. Too much regulation might prevent and delay potential benefits, while no regulation might create regulatory uncertainty and societal backlashes. In order to avoid anticipated negative consequences, a multi-year stakeholder dialogue between governments and regulators, corporate technology leaders, NGOs and consumer protection organisations, and labour unions needs to happen. Sensible regulatory frameworks on emerging technology risks across sectors and industries should provide guidance to all involved parties.

Emerging Technology Risk Radar

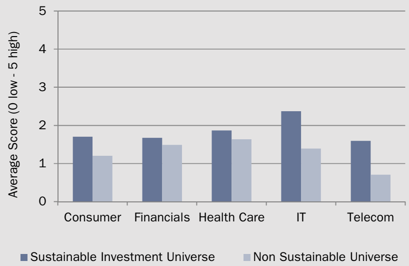


Source: WEF Global Risk Report, J. Safra Sarasin, 2017

Sustainable Investment Research lens provides additional insights

Sustainably minded investors should be conscious of the aforementioned emerging technology risks and related regulatory uncertainty. For this reason, Bank J. Safra Sarasin's sustainable investment research also analyses relevant emerging technology risks in the field of cyber security, i.e. data security and protection of personal privacy. There are two striking observations. Firstly, the overall performance scores across sectors in the field of cyber security prevention are low. The strategic relevance and management performance are still very underdeveloped, and there is significant room for improvement. Secondly, the companies within our sustainable investment universe score higher than those outside it, which confirms the quality of the overall sustainability analysis methodology.

Low strategic relevance of data security and protection of personal privacy



Source: J. Safra Sarasin, 2017

New investment opportunities for tech-savvy investors

We have developed a cross-sector thematic research approach to cater for the high level of investor interest in technology disruption. We seek to identify technology innovators and leading technology adopters from the Technology, Industrials, Healthcare, Financials and Automotive sectors, among others. We focus on three thematic areas: 1) Information Processing and Artificial Intelligence; 2) Connectivity and the Internet of Things and 3) Robotics and Virtual Reality. At the same time, we consider relevant sustainability risks that might increase over the coming years.

Investors should keep in mind a quotation of Bill Gates: "We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten".

Authors

Pierin Menzli
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Report on our lively calendar of events in Q2 2017

“Sustainable investments move into the mainstream”

Following the Paris Agreement and the UN’s promotion of its Sustainable Development Goals in 2015, sustainability is attracting far more attention in the public debate. As a market leader in sustainable investments in Switzerland and a leading provider in Europe, Bank J. Safra Sarasin is receiving an increasing number of invitations to speak about sustainability at European investor events. Sustainability is also taking centre stage at many of our client events.

Swiss Sustainable Finance attracts high-level support

At the annual Members’ Assembly of Swiss Sustainable Finance (SSF), of which Bank J. Safra Sarasin is a founding member, a progress report was given on the ambitious roadmap for the Proposals Towards a Sustainable Financial System in Switzerland, drawn up a year ago. The President of the Swiss Confederation, **Doris Leuthard,** made a personal address to the audience. Having secured Swiss voters’ backing for the Energy Strategy 2050, she highlighted the new opportunities for financial market players.

Swiss President Doris Leuthard

Source: Swiss Sustainable Finance

Christian Thimann, Head Sustainability for the insurance group AXA and Chairman of the High-Level Expert Group on Sustainable Finance of the European Commission, gave a talk describing how the proposed regulatory developments in the area of disclosure obligations for sustainability information and carbon footprint would be a key driver for bringing sustainable investments firmly into the mainstream. **Jan Amrit Poser**, Chief Strategist and Head Sustainability with Bank J. Safra Sarasin, was quizzed about the progress being made by Swiss asset managers in working towards the roadmap put forward by SSF. The main conclusion: escalating global demand for sustainable investments can be readily met by the solid offering available in Switzerland.

Jan Amrit Poser answers questions

Source: Swiss Sustainable Finance

“Beyond the known” – Institutional investment seminar in Bern explores new paths

The main theme of this year’s annual institutional seminar was “unknown paths”. Highlights included appearances by **Otmar Issing**, former Chief Economist with the European Central Bank and Professor **Claude Nicollier**, Switzerland’s first astronaut, who gave our clients a personal account of experiences “beyond the known”. In addition, **Jan Amrit Poser** gave a talk explaining how sustainability can be integrated into an investment strategy. Another highlight was a podium discussion moderated by **Pierin Menzli**, Head Sustainable Investment Research, on the question of how investors can use sustainable investments to combine impact and performance. **Johanna Köb**, Responsible Investment Analyst with Zurich Financial, described the insurance group’s unilateral commitment to invest two billion dollars of the total assets held on its balance sheet in green bonds. **Professor Andreas Hoepner** from the Henley Business School spoke of the need to introduce robust data standards in the era of “Big Data” and massively increased computing capacity. This was the only way to identify key performance drivers in the sustainability information and put them to profitable use. **Aled Jones**, Principal Responsible Investment with financial consultants Mercer, described the advice his company gives to pension funds to help them find the most suitable sustainable investments. From his own experience, Jones could confirm that sustainable investments have definitely moved into the mainstream.

RI: Pierin Menzli at the awards ceremony

Source: Responsible Investor

Bank J. Safra Sarasin acts as main sponsor of the Responsible Investor Reporting Awards 2017

This year Bank J. Safra Sarasin was once again the main sponsor of the Responsible Investor (RI) Reporting Awards at “RI Europe 2017”, the world’s biggest conference on sustainable investments which was held in London on 6 – 7 June. The awards presented by **Pierin Menzli**, Head Sustainable Investment Research, honoured institutional investors for their progressive reporting on sustainable investments. This year’s winner in the “Large Asset Owners” category was the French pension fund Caisse des Dépôts. Sweden’s AP2 Fund and Norway’s state pension scheme were also singled out. The winner in the “Small and Medium Asset Owners” category was the Dutch development bank FMO. Swedfund International AB (Sweden) and Wespath Investment Management (USA) also won awards. Bank J. Safra Sarasin invited numerous institutional investors to the RI Reporting Awards Dinner, providing an opportunity for lively discussions about the trend towards sustainable investments and their future development.

RI Europe 2017: 10-year anniversary celebrating growth

During a podium discussion including both researchers and practitioners, **Pierin Menzli** presented the “menu” of sustainable investment principles from which clients can choose in order for Bank J. Safra Sarasin to create a sustainable investment strategy tailored to their individual needs. Additional workshops reflected other important issues for market players:

- How can investment strategies cater for the risks of climate change and the stricter regulations in this area?
- How can investors strengthen their shareholder rights and, working with asset managers, encourage more sustainable corporate behaviour?
- How can investors achieve not just a good financial return, but also measurable social and environmental objectives? (Impact Investing)

Hugh Wheelan, the conference’s long-term organiser, summed up by saying that in the 10 years since RI Europe was inaugurated, sustainable investments have become increasingly popular with mainstream investors.

Pierin Menzli presents the “menu card”

Source: Bank J. Safra Sarasin

Engagement at the Association of German Foundations Day

In May, Osnabrück was a hive of activity over the course of three days, when over 1400 participants attended Europe’s biggest conference of its kind, the Association of German Foundations Day. As well as the overarching theme of “Education!”, the main focus was on “Capital and Impact”. Bank J. Safra Sarasin’s contribution was a seminar on the topic of “Active Shareholder Engagement”. **Jan Amrit Poser** and **Andrea Weber**, Sustainability Analyst, explained how foundations, in their capacity as investors in equity securities, could exercise their voting rights through an active dialogue with management, and encourage companies they are invested in to adopt more sustainable business practices.

GFSI: Presentation by J. Safra Sarasin

Source: Voxia

Geneva Forum for Sustainable Investment predicts a rosy future for the Swiss financial services industry

The impetus towards sustainability emanating from France in the wake of the Paris Agreement has also made itself felt in Geneva, in the French-speaking part of Switzerland. At this year’s Geneva Forum for Sustainable Investments (GFSI), various podium discussions explored the effects that tighter regulation has for institutional investors obliged to disclose their climate risks. Initially the French – but before long all the other European pension funds – will be looking for ways to define their carbon footprint and integrate it into their reporting. Amongst other things, **Jan Amrit Poser** outlined the Bank’s approach to reporting its ecological footprint. The general conclusion was that with its long track record in sustainable investments, Switzerland’s financial community is uniquely positioned to meet this growing demand.

Technology disruptors gain ground – Sustainability event organised by Bank J. Safra Sarasin

This year’s sustainable investment event organised by Bank J. Safra Sarasin was dominated by the new technologies that can potentially cause major disruptions in traditional markets and pose a threat to established market leaders. At their three Swiss locations – Basel, Zurich and Geneva – Bank J. Safra Sarasin’s sustainability analysts presented the latest trends in the area of new technologies. The Bank’s approach to identifying disruptive technologies is characterised by a cross-sector, interdisciplinary approach. Taking e-mobility as an example, **Pierin Menzli** described some of the challenges facing the industry. He concluded, however, that current growth estimates for the providers of electric, hybrid and driverless mobility are too conservative and the speed at which new technological developments are adopted often tends to be underestimated.

New sustainability themes

Our sustainable investments event provided the opportunity to inform our clients about the launch of new sustainable analysis themes. Since February, for example, we have had an analysis approach specifically for sustainable technology disruptors. For the past year we have also been working on the topic of sustainable global high-yield bonds, which are particularly popular with institutional investors. Our successful analysis methodology for Swiss small & mid cap stocks will soon be made available to a broader public. We are also focusing on green bonds as additional investment theme.

Jan Amrit Poser on the panel

Source: J. Safra Sarasin

In his keynote speech, **Jan Amrit Poser** looked at the impressive development of sustainable investments since Bank J. Safra Sarasin first pioneered them 28 years ago. In the last three decades, the focus of investors has turned increasingly towards the impact of sustainable investments and their ability to boost performance. Instead of the “limits of growth”, greater emphasis is now being placed on the “unlimited opportunities” created by the energy transition and combatting climate change. The latest survey conducted by State Street Global Advisors (SSGA) shows that the penetration of sustainable investments is already well advanced. Eighty percent of institutional investors have ESG investments in their portfolios and more than two thirds are convinced by the performance-enhancing and risk-mitigating qualities of these investments, according to SSGA. Sustainable investments have therefore moved firmly into the mainstream.

Interview with Pierin Menzli, Head Sustainable Investment Research, on new technologies

“Intelligent machines are no substitute for creative people and the right know-how”

Everyone is talking about robots, automation and “Big Data”. Investors seem to have boundless enthusiasm for this topic, and the share prices of companies working in this field are sky-rocketing. Pierin Menzli, who is responsible for the recently launched investment strategy “Sustainable Technology Disruptors”, warns that investors need to be aware not only of the opportunities, but also of the risks. Only a broadly diversified portfolio of technology stocks can avoid these risks. In this interview, he explains why.

Mr Menzli, when will intelligent robots replace people?

New technologies such as robotics generally arouse great hopes and expectations. At the same time, many people are also concerned about job security, data security and legal certainty. Investors are currently very optimistic about business models, products and services around artificial intelligence, robotics, data networking (“Internet of Things”) and second-generation IT products and services. Robots will take over from humans the most basic, clearly structured and repetitive tasks, and this will inevitably lead to job losses. But at the same time, it will also create fresh possibilities and new jobs. Industrialisation in the 18th century and the spread of the motor car at the start of the 19th century created a lot of anxiety. In retrospect, the positive aspects of these innovations have clearly outweighed the negative. In any case, intelligent robots are no substitute for creative activity and specialist know-how.

Many investors currently only see the sunny side of these new technologies. How do you view it?

Our task in Sustainable Investment Research is to analyse a company and its business model from as many different angles as possible, and determine the associated risks and opportunities. First, we assess the company’s intrinsic value. This is not always easy, especially in the case of rapidly growing technology firms. We want to know how much enterprise value already exists, and how much still needs to be generated in future in order to justify the current valuation. Secondly, sustainability analysis is firmly embedded in our investment process. It helps us to get to grips with less explored aspects such as a questionable company management structure or one concentrated too heavily on the CEO. This enables us to gain valuable insights. Thirdly, we benefit from a large team of analysts who work closely together across different sectors and regularly share investment ideas.

How should investors position themselves in relation to the “Sustainable Technology Disruptors” analysis approach?

The most important thing is to give “tech-savvy” investors the chance to participate in current technology trends. Here we differ from the growing number of competitors in two key respects. We do not target big names such as Apple, Facebook or Alphabet familiar to most investors. We concentrate on high-growth, mid-cap companies which have not (yet) shown up on the radar screen of all investors.

Secondly, we are convinced that the main beneficiaries of new technologies will not just be tech innovators, but those companies in many sectors which strategically push ahead with the digitalisation of their business model. For this reason, we back technology leaders in the healthcare, industrial goods and financial services industries. These companies also provide the necessary diversification for a thematic portfolio of technology stocks.

Can you give a concrete example that stands out when it comes to thematic technology analysis?

For example, we invest in companies that participate in the sea change occurring in the field of mobility. The mobility of the future is electric, autonomous and shared. The value of electronic components in a “mobility vehicle” will increase by a factor of 50 over the next 20 years. This opens new opportunities for technology-focused industrial firms, even if the overall market for motorised mobility is actually likely to shrink in the mid-term from its current value of around USD 7 trillion because of “shared mobility”. The outlook for modern carmakers is predominantly negative, as they are in any case obliged to make huge investments and reinvent their business model. For this reason, we prefer to invest in technology suppliers, as they could well turn out to be the successful carmakers of tomorrow.

Do your clients invest in dreams of the future, or only in established business models?

A key focus for technology investments should be on successful and established business models. Examples include ABB and Orange, both of whom are technology leaders in their own sectors. The other part of the technology portfolio should be invested in technology companies that have created new business models, products and services. A good example here are technology companies specialising in the engineering and construction sectors which develop digital software solutions for planning, executing and managing building projects. Another example is the highly specialised semiconductor firms which develop and control complex semiconductor crystals and the associated quality processes. As so often, a good mix of innovative and established companies is the best way to ensure a convincing investment performance.

Selected sustainability profiles and rating updates in the second quarter of 2017

Sunrise: entered the J. Safra Sarasin sustainable investment universe
Sunrise is the number two telecommunication operator in Switzerland. Data privacy and security is an important driver for our sustainability score. As Sunrise was only listed in 2015, the company's focus has been more on financial communication rather than sustainability. However, after having extensively engaged with the company, we believe that measures taken over the past years to improve data security are now at least in line with sector practices. Sunrise has renewed almost its entire network, installed modern infrastructure and implemented new Information Security Management System. Regarding the B2B business, Cisco reconfirmed in July 2016 that Sunrise is a “Gold Certified partner”. This allows Sunrise Communications to enter our list of sustainable companies with a sector-average score.

Apple: strong governance & data security
Our assessment of Apple’s sustainability score reveals progress made in the past years. Following controversies regarding working conditions at its suppliers from 2010 to 2011, Apple has set up better standards: a new code of conduct, a public list of suppliers, audits - although their number for tier-1 suppliers could be increased. Other positive points include data security and corporate governance, which are amongst the best in the sector. On the environmental side, Apple has set up convincing measures (recycling, energy efficiency). On the negative side, its management of human capital is not aligned with the sector’s best practices. Tax is also an area of risk with the Oct-16 EU ruling that could lead to up to EUR13bn in tax reimbursement to the state. Overall, the company has an average score.

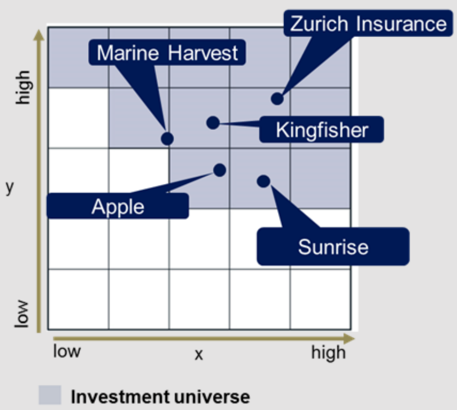
Marine Harvest: fish, the “tesla of protein”
Aquaculture offers vast business opportunities. Marine Harvest, the largest provider of farmed salmon globally, can benefit accordingly. We highlight the favorable carbon footprint and protein profile of seafood (e.g. compared to meat or dairy) and the important contribution to a sustainable and efficient future food supply. Of course we expect those companies to follow good practices in the area of sustainable seafood production and point out our concerns with regards to the significant degradation of marine ecosystems that happened in the past. However, Marine Harvest is an advocate for sustainable seafood production and is active in relevant industry organisations such as the Aquaculture Stewardship Council or the Global Salmon Initiative. Compared to the peer group, the product quality & safety risks for a farmed salmon producer are considerable. Several recalls happened in the last two years. Marine Harvest is actively trying to develop new approaches to tackle the sea lice problem and to decrease the amount of fishmeal needed for the production nowadays. Overall, we assign an above average sustainability rating.

Zurich Insurance: good ESG capabilities in underwriting and investing
With the new CEO arriving in May 2016, Zurich set a focus on cost cutting measures. We note a jump in 2016 staff turnover up to 16.5% compared the turnover figures between 12.3 - 12.9% during the years 2012-2015. Zurich however is showing relevant human capital management efforts that support the company in mitigating according risks (e.g. revision of salary incentives for employees, leadership trainings, apprenticeship program in the US etc.). Zurich also made notable progress with regards to the integration of ESG factors into the investment processes, both for internal and external asset managers. The same accounts for underwriting risks, where to company set up risk management structures and conducts research to better understand and anticipate risks stemming from climate change. Zurich continues to offer a range of insurance products to SME. Occasionally, Zurich is linked to the financing of controversial infrastructure projects (e.g. the Hidrosogamoso dam in Colombia). All material ESG factors taken into account, this leads to an above average sustainability rating.

Kingfisher: sustainable transformation
Kingfisher is an international home improvement retailer with market-leading positions in France and the UK. About one year ago, the company announced the ONE Kingfisher five year transformation plan, which will leverage the scale of the business by creating a unified company. The plan is not only aiming to deliver a substantial uplift in profit, but also to simplify the sourcing structure and thus improve the sustainability of its products. The company already demonstrates its leadership in responsible timber procurement, reporting the highest percentage (95%) of certified paper and timber of all home improvement retailers. Additionally, Kingfisher encourages its suppliers to use recycled materials in their products to minimize their overall environmental footprint. Kingfisher therefore deserves an above-average sustainability score.

Sustainable Investment Research

Sarasin Sustainability-Matrix®



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