



Sustainable Investments

Sustainability Newsletter

January 2018

Editorial

Decarbonisation: how to avoid a financial crisis

Dear Reader

At the start of 2018 we are due to celebrate 10 years of boom since the Global Financial Crisis. But the question is increasingly being asked whether another financial crisis could be looming. The Chair of the Financial Stability Board is deeply concerned! Mark Carney, who is also Governor of the Bank of England, has warned of the momentous financial risks lying dormant in the balance sheets of large financial institutions and pension funds. Failure to detect these could one day trigger a domino effect in the global financial system. This is because many companies are heavily exposed to the risks posed by climate change. Today, the increasing incidence of natural catastrophes is already putting pressure on insurance companies, while crop failures are wreaking havoc in supply chains and causing volatility in raw material prices.



The Paris Accord implies a carbon budget

But even if the 195 countries that signed the Treaty of Paris to limit climate change implement the promised measures, financial stability risks remain, especially in the area of fossil fuels. These non-renewable energy sources, which have been stored deep in the earth for 400 million years, are

now being burned in just a few decades. By the year 2000, the burning of coal, oil and gas had resulted in emissions of approximately 1,000 gigatons of carbon dioxide. Since then, another 400 gigatons have been added. The think-tank South Pole Carbon estimates that mankind can only emit another 500 gigatons of CO₂ before global warming reaches two degrees Celsius – the threshold set in the Paris Accord that signifies the tolerable limit for global warming.

Energy transition: necessary CO₂ prices

Year	Carbon-Price Corridor (USD/tCO ₂)
2020	24-39
2025	30-60
2030	30-100

Source: The investment-grade carbon pricing corridors initiative facilitated by We Mean Business and CDP

Risks of stranded fossil resources

But this would still leave fossil reserves that could potentially produce up to 2,800 gigatons of CO₂. These reserves are included in the valuation of the shares of major oil and gas companies, they are part of the business strategy of utilities and form the basis of credit agreements. But these resources could effectively become useless. Tougher emission laws will render technologies obsolete. Stricter energy efficiency requirements will reduce demand. Plans for the introduction of an emissions trading system are being drawn up worldwide.

Roadmap for decarbonisation

The shares of companies with potentially stranded assets are included in the portfolios of pension schemes and insurance companies. If financial markets suddenly realise that these reserves cannot be burned in the future, there could be a rapid fall in share prices, triggering a massive financial crisis. That is why Mark Carney asked Michael Bloomberg, the former mayor of New York, to engage with a working group of industry captains to develop proposals to identify these risks at an early stage. This Task Force's proposals, which were unanimously welcomed by global companies, banks and investors, will be implemented in 2018. The European Union is working on a law requiring pension funds to disclose climate risks. In Switzerland, the government has offered pension funds the opportunity to measure their footprint in carbon alignment tests. The decarbonisation of the economy and investment portfolios is the dominant theme in the new year. Our Newsletter also focuses on the energy transition in buildings and other assets, identifies the trends for 2018 and outlines the risks in the shale oil & gas business. I hope you will enjoy reading this edition and I wish you all a very Happy New Year 2018.

Best regards,

Jan Amrit Poser

Chief Strategist & Head Sustainability

Two major themes for 2018: Disruptive technologies and impact investing

Sustainably minded investors will have to get to grips with two key themes in 2018. First, far-reaching innovations such as artificial intelligence and blockchain technology are transforming the financial world and society as a whole. The potential applications are manifold. Second, impact investing continues to gain importance. In particular, liquid investment solutions (equities and bonds) with positive environmental and social impacts will complement today's mostly illiquid private market strategies.



What were the biggest surprises in the financial market in 2017?

Generally speaking, it was the consistently dynamic performance of equity markets in all regions of the world. Very few people had predicted this trend after the political turmoil of 2016. Another positive note is that the economic data as well as the company results reported to date that first made this rally possible are continuing to support it.

Have sustainably minded investors been able to benefit from this trend?

Yes, many investors have managed to profit from this scenario, albeit to a differing degree depending on the investment strategy, asset class and investment style. Sustainably oriented investors could also benefit specifically from the fact that many investment themes, such as climate-conscious investing in alignment with the 2-degree target or impact investing, continue to gain ground. This gives interested investors more and better investment opportunities, and a broader range of products and services. One of these services that is attracting increasing interest is the risk analysis of the portfolio's carbon footprint.

What exciting new investment themes are you working on?

Our Sustainable Investment Research team can draw on a vast pool of expertise in different thematic areas. My challenge is to try and combine the know-how and experience of 15 investment specialists and use it as effectively as possible. Let me give you an example: the global activities of the online retailer Amazon have powered a dynamic and geographic expansion that has put many different industries and business models to the test, e.g. in the retail trade, health services, and logistics & distribution

sectors. The challenge is to identify which companies have erected sufficiently high entry barriers to ensure their existence is not threatened by Amazon. Increasingly, we analyse these risks and opportunities in cross-sector research projects, as we need to draw on expertise from different specialist areas, such as technology and distribution, when making our investment decisions.

What new product developments can we expect in 2018?

At the start of 2017 we developed a specialised strategy for technology stocks that invests in disruptive technologies such as various applications for artificial intelligence and blockchain technology. Our experiences and results to date are very encouraging. In 2018 we plan to make this equity strategy available to all investor groups.

quently use external specialists and maintain a constant academic exchange with international experts in these thematic areas.

What about impact investing, which everyone seems to be talking about at the moment?

We've been involved in sustainable investing for a long time now, and I see impact investing as a natural development of this. Increasing emphasis is being placed on reporting, as well as a commitment when reaching investment decisions to make a positive environmental or social impact, for example by improving access to healthcare or education. We can offer interested investors an impact reporting that reflects these impacts, and which is also aligned with the United Nations Sustainable Development Goals (SDGs).

Over the past 12 months we have significantly expanded our research activities in the field of impact investing. Over the coming months we are due to launch several investment vehicles specialising in impact investing. Here the focus is on liquid asset classes such as bonds and equities, for which there is growing investor interest. We have incorporated several innovations in the selection process for impact investing vehicles so as to achieve a positive environmental or social impact in our investment portfolios.

Investment concept: Technology Disruptors

Innovation	Enablers	Key Industries
<ul style="list-style-type: none"> Big Data and Analytics Artificial Intelligence 	<ul style="list-style-type: none"> Enablers Early Adopters 	<ul style="list-style-type: none"> Software, Internet, Semiconductors Automotive, Healthcare
<ul style="list-style-type: none"> Cloud Internet of Things Space Innovation 	<ul style="list-style-type: none"> Enablers Early Adopters 	<ul style="list-style-type: none"> Telecoms, Satellite, Semiconductors Automotive, Farming
<ul style="list-style-type: none"> Autonomous Driving Virtual Reality Robots and Drones 	<ul style="list-style-type: none"> Enablers Early Adopters 	<ul style="list-style-type: none"> Materials, Semiconductors and Hardware Industrial Machinery, Healthcare, Gaming

Source: J. Safra Sarasin

The unique feature of this concept is on the one hand that we invest in very high-growth IT innovators that lead the field in the development of cutting-edge technologies. On the other hand, we select the dominant technology users in sectors such as financial services, industrial goods or healthcare.

What added value can the sustainable investment analysis contribute here?

We benefit from a large and specialised internal research team. In addition, we fre-

High-yield bonds: long-term view can minimise risks and maximise opportunities

Studies show that realising good returns on high-yield bonds depends heavily on reducing the portfolio's default risk. The long-term view taken by our sustainability research perfectly complements classical financial analysis, particularly where more riskier investments are involved. Our own research into the universe of high-yield (HY) bonds shows that bonds rated "sustainable" produce superior returns compared with issues that have a poor ESG profile.

Application of sustainability filters in the global high-yield bond segment

Demand for investment opportunities in the bond sector has risen enormously in recent years despite the persisting low interest-rate environment. Due to the general hunt for returns, the global market for bonds issued by companies with a credit rating below investment grade (known as high-yield bonds) has grown enormously. However, generous coupons are not the same as high returns. It is therefore necessary to conduct a thorough analysis of issuers in this segment, which is characterised by greater risks and opportunities. The application of sustainability criteria to extend and validate traditional financial analysis is an obvious step. Growth in the high-yield bond segment has made it possible in recent years to construct a diversified and sustainable portfolio capable of outperforming a global benchmark index of high-yield bonds. Although the US dollar bloc continues to be the dominant high-interest market, the topic of sustainability is becoming more and more prominent in the up-and-coming European market. Because of the growing number of issuers from emerging markets, the universe offers additional sustainable investment opportunities, greater diversification and the chance of high returns.

Sustainability has a longer horizon

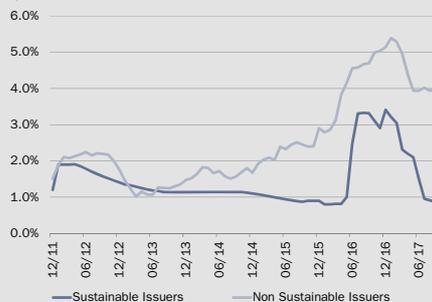


Source: J. Safra Sarasin

Sustainability reduces the default risk

Generally, companies with lower credit ratings in established sectors have higher debt levels in order to generate higher returns on equity. Or they come from riskier industries such as the energy sector, which is vulnerable to regulatory developments. The particularly long-term and holistic approach of our sustainability analysis proves to be an ideal complement to traditional financial analysis in order to reduce downside risks as far as possible. We are convinced that the analysis of corporate governance and the consideration of ecological risks are of vital importance for such companies. Only if a company is able to service its debts in the long term can investors realise superior returns.

Payment default rates of HY universes



Source: BofAML, own calculations

Positive impact on performance

Bonds with lower credit ratings generally carry higher risks. Because of this circumstance, some investors see a conflict with the more quality-oriented category of sustainable investments. However, our analyses show that sustainability does not necessarily require a lower-risk positioning of a company and thus a higher credit rating. Rather, our studies show that higher ESG ratings can potentially reduce the default risk of bonds and thus boost the performance of sustainable portfolios.

Performance comparison for HY segment



Source: BofAML, own calculations

2018: favourable climate for HY bonds

Although we expect interest rates to rise worldwide in 2018, such an environment specifically tends to benefit high-yielding bonds. Usually, credit spreads with government bonds continue to narrow. This means that high-yield bonds are much less synchronised with government bonds. For the latter, outflows of funds are expected, which should increasingly spur the market for higher-yielding bonds. With the help of sustainability analysis, it is therefore possible to reduce company-specific risks and boost performance.



Roland Müller
Portfolio Manager for
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Preliminary end of the shale boom – the easy gains are over

Significant milestones have been reached in the United States production of fossil fuels in 2017 and unconventional US energy production hit an interim peak. US shale oil production trends, however, suggest that we are currently in the last boom phase and simple and low-cost advances in production have already been made. Also, a required fresh investment cycle is difficult to finance at oil prices around 55 US dollars per barrel. On top of that, any further optimisation of fracking technology carries relevant environmental, safety and health risks.

US production reaches its interim peak

Despite the advance of renewable energies, significant milestones have been reached in the United States' production of fossil fuels in 2017. In the semester, US crude output once again exceeded 9.0 million barrels per day for the first time since the seventies, broken down into some 7.5 million barrels of unconventional and 1.5 million barrels of traditional fuels. At the same time, the United States' net oil imports up to the end of September stood at 2.8 million barrels, the lowest level since 1983 (the previous high of 13.4 million barrels occurred as recently as August 2016). This means the USA is on the threshold of energy self-sufficiency, a goal it has been working towards for decades, and one which has both political and economic ramifications. The expansion in production is attributable to one pivotal factor: the virtually unrestricted expansion over several years of unconventional shale oil and gas production on the US mainland.

The greenlight for ramping up production came in 2005, when the US government approved the exploration of shale formations in a number of federal states. Over the past 10 years, production volume has more than doubled. Today, shale oil & gas production accounts for 80% of total US energy output. Around half of this comes from the Permian Basin (Midland and Delaware).

US oil production (million barrels/day) over



Source: US Energy Information Administration (EIA), 2017

Steep efficiency gains

Up to 2014, the rest of the world, and especially the world's major oil exporters (OPEC), kept production flat. Thereafter OPEC embarked on a brief and unsuccessful strategy of expanding production, before eventually cutting it back again at the end of 2016. The USA aggressively exploited this power vacuum among oil-producing countries, increasing its share of global oil production from 4% to a recently estimated 7%. In the first phase, the rig count was increased sharply. In the second phase, the output of each drilling rig was boosted mainly by technological breakthroughs in horizontal drilling. In a third phase, efficiency was further improved by greater drilling intensity for each borehole. The main drivers of the related efficiency gains were mainly due to four components longer horizontal wells, higher fracture stage count, tighter cluster spacing and higher sand intensity.

Shale oil keeps oil prices in check

The third phase of efficiency improvements and the subsequent hike in US production and global oil inventories ultimately resulted in sharp corrections in the oil price towards the end of 2017. Since then US shale oil production has moved within a band of USD 40 and 60 per barrel. Shortly before the OPEC meeting at the end of November 2017, oil prices were trading just above this corridor. Truly, OPEC, along with Russia and other countries, agreed to extend its existing production cut quota as of March 2018 at an early stage to the end of December 2018. This would bring global energy stocks down to their average level over the past five years and regain some control over oil prices thanks to balanced supply and demand.

Growth rates flattening off

The efficiency gains in production from new drilling wells in the biggest US shale-producing regions and, in particular, the most productive shale formation in the Permian Basin, have stagnated recently. If the current record numbers of drilled but uncompleted wells (DUCs) are also taken into account, no region has managed to increase its output per rig since July 2017.

An analysis of the seven biggest US shale regions (Delaware and Midland cover the Permian Basin) shows them achieving a positive operating cash flow at just under USD 50 per barrel. If the prices rebound well above this level, as observed since July 2017 (see box on the left), it is likely that US shale oil & gas producers will ramp up their production within the next three to six months.

The shale oil boom presents major environmental challenges

The fracking technology that uses a combination of water, silica sand and different chemicals carries considerable environmental, safety and health risks. There is a latent risk of groundwater (important for drinking water) becoming contaminated by leaking pipes. Accidents when transporting the wastewater away from the site are another threat. A third, and relatively unexplored, risk is the cumulative effects of numerous boreholes in the same location. All these factors carry a high risk potential when it comes to the operation, costs and revenues associated with the wells. A more in-depth industry analysis from an environmental, social and governance (ESG) perspective is shown on the next page. It forms an integral part of the sustainability analysis performed by Bank J. Safra Sarasin.

ESG materiality matrix for the oil & gas industry

	Operations	Costs	Revenues
Environment			
Carbon Emissions	Continuity	*Opex *Capex	Business Preservation
Biodiversity & Land Use	Continuity	Opex Extraordinary	
Toxic Emissions & Waste	Continuity	Capex Extraordinary	
Social			
Health & Safety	Continuity	Capex Extraordinary	
Governance			
Corruption & Instability		Extraordinary	Business Preservation
Corporate Governance (Board, Pay Practices, Ownership & Control Rights)	Quality	Cost of Capital	

Potential impact on the related value driver

Null or Limited	Medium	High
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*Opex = Operational Expenditure, Capex = Capital Expenditure

Source: Bank J. Safra Sarasin, 2017

Compared with conventional well drilling, shale oil producers use far more water and produce far greater quantities of toxic waste. In addition, we have discovered that the regulations in the USA contain multiple exemptions and in many cases are therefore not suitable for fully covering all the environmental risks described.

What comes after the boom?

The International Energy Agency (IEA) estimates that US oil production – driven by the output from the shale oil basin – should reach an all-time record of around 10 million barrels per day in 2018. After more than 10 years of unbridled growth, the simple and low-cost advances in production have already been made. The S-curve commonly used in innovation management shows that an extractive technology is constantly hitting its technical performance limits when it comes to further development potential. The steepening of the S-curve describes the improvement in performance created by an additional thrust in research & development (R&D) or, in other words, the productivity boost from R&D. US shale oil production trends suggest that we are currently in the last boom phase. Only another massive investment in R&D could trigger a fresh S-curve.

S-curve in the shale industry



Source: Bank J. Safra Sarasin based on SocGen, 2017

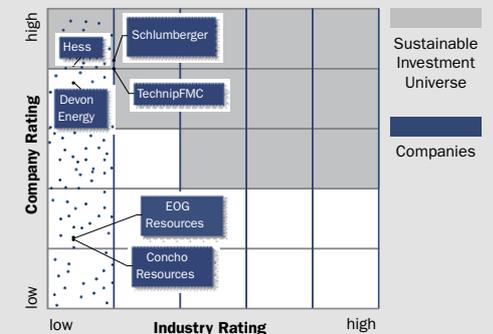
Next production boost requires massive investments and carries major ESG risks

To initiate a new growth cycle, however, the small and often privately-owned US energy companies – many of them highly leveraged compared with their international peers – must substantially step up their investments in new technologies. In this respect, current oil prices (despite the recent rise) are still too low to cover the required investments. Outside financing has been very easy and cheap in the recent past. However, the level of indebtedness is relatively still high. Hence, one should not expect capital expenditure to be financed from this side, in particular as the credit conditions on capital markets could deteriorate rapidly at any moment. In addition, there have recently been signs that US

shale oil & gas producers shift their focus from absolute volume growth to stricter spending discipline with an eye on keeping their shareholders happy. With this, US production is likely to have less growth potential than the market thinks.

Overall, and thanks to our investment approach of analysing financial and sustainability factors in an integrated manner, we can offer our clients access to certain investible energy companies with above-average ESG credentials compared to their peer group. On top of that, they exhibit a manageable risk profile. Even though we currently do not have any shale “pure play” companies in our sustainable investment universe, there are still investment opportunities linked to this topic.

J. Safra Sarasin Sustainability Matrix®



Source: Bank J. Safra Sarasin, 2017



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Energy regulations within Europe shift the Real Estate sector towards a CO2-neutral future

European Union (EU) and national policies are strongly raising the requirements for new buildings regarding the maximum allowed energy consumption. In this article we discuss the consequences for real estate markets across Europe and provide an adequate future-oriented strategy.

European Union construction policies aim at nearly zero-energy buildings by 2020

The current EU Directive under the name “Energy Performance of Buildings for the European Union” has defined concrete steps to reduce carbon dioxide emissions. The document was published in 2010 setting the goals that need to be achieved until 2020. As the deadline approaches, we expect the local regulators to trigger further requirements for new buildings and renovation projects. The following steps have been described in this Directive:

- Energy performance certificates should be provided from independent companies for all buildings sold or rented to a new tenant
- EU countries must establish inspection schemes for heating and air conditioning systems. In case that a monitoring system has already been installed, controls may not be that frequent
- By the 31st of December 2020, all new buildings must be nearly zero-energy buildings (new public buildings by the 31st of December 2018)
- Existing buildings that are renovated must also fulfil minimum energy performance requirements

Under the Energy Efficiency Directive:

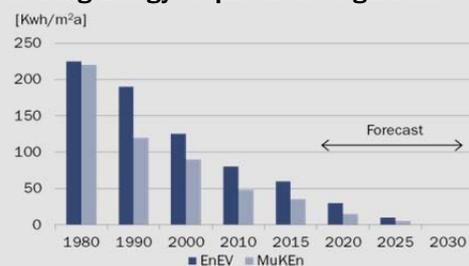
- EU governments should only purchase highly energy efficient buildings
- EU countries must draw up long-term national building renovation strategies which can be included in their National Energy Efficiency Action Plans

Requirements for energy consumption have tightened throughout the years

In the European Union, regulators continue to set higher standards for energy consumption requirements in residential and commercial buildings. For example, the Energy Saving Ordinance of Germany (EnEV) and their development from 1980 to now (see next column). But also in Switzerland, the Model regulations of the Swiss cantons in the energy sector (MuKEn) show the same

trend. The following graph shows that regulators in Germany and Switzerland have reduced the total heating energy consumption requirements for new buildings by 20-30% with each new regulation decade after decade.

Heating Energy Requirement Regulations



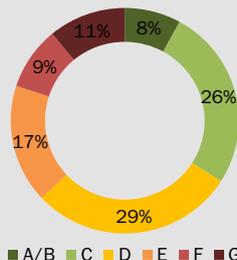
Source: EnergieAgentur NRW, Research BJSS 2017

Both governments aim to further reduce the total energy consumption by using renewable energies and efficient structures, indicating towards a neutral CO2 emission strategy in the upcoming years.

United Kingdom new building regulations create the risk of “stranded assets”

In the United Kingdom buildings with an energy certificate category F or G are newly required to be upgraded first before they can be leased to a new tenant. This measure will take effect in the year 2018. The following chart identifies the different rating categories of buildings in terms of energy consumption in the London area.

Non-Residential Buildings Energy Rating



Source: Association for the Conservation of Energy 2016

Buildings across Europe are rated according to their energy consumption. Category A

means a very efficient building. Approximately 20% (categories F & G) of the non-residential buildings in London will be affected by the new regulation.

The strategy of the Sustainable Real Estate Research Team of Bank J. Safra Sarasin focuses on energy efficiency, CO2 monitoring and cost optimisation

Successful real estate funds need to take into account regulatory trends and gain a competitive advantage by the following measures:

Acquisition phase:

- Property valuations and the portfolio strategy should include ESG criteria
- Energy efficiency and comfort of buildings should be thoroughly assessed
- High flexibility of the structure and green certification add value, especially for commercial properties

Post-acquisition phase:

- Active management with focus on energy monitoring and reduction of reoccurring operational costs
- Automated management system for buildings adds transparency
- Energy reduction targets and CO2 footprint reporting detect risks
- Ten-year renovation plans for buildings in the portfolio with focus on future needs of the tenants

The proposed strategy answers the future real estate challenges by providing long-term orientation, being ahead of the regulations, adding further transparency and optimising the maintenance and operational costs.



Alexandros Gratsias
Sustainable Real Estate
Research Analyst

Selected sustainability profiles and ratings in the fourth quarter of 2017

Iberdrola S.A.: a leader in renewable energies

Iberdrola S.A. is a Spanish integrated utility with power generation and network assets mainly in Iberia, the UK, US and Brazil. As the company invests increasingly in renewables and networks, its exposure to nuclear and coal has fallen below our limit of 5%. This allowed it to enter our Sustainable Universe in September. The company particularly stands out for its investments in wind and solar power with EUR 9.5bn to be invested over 2016-2020. This will allow the company to reach 30 gigawatt (GW) of renewable energy capacity in 2020 or 60% of its total portfolio. As a consequence, its carbon intensity has been cut by 30% since 2014 and will further be decreased, positioning the company amongst the lowest emitters of power generators. The company is also very active in energy storage and smart grids. After the removal of the nuclear exclusion, Iberdrola entered our sustainable universe with an above average rating.

Nidec Corporation: a company “hotter than the sun”?

Nidec Corporation is a Japanese industrial company specialised in electric motors with a wide range of consumer and industrial applications. The company’s strategy is geared towards energy efficiency and automation. Thus it is well positioned to benefit from clean tech opportunities. This is backed by an above-average management of environmental issues, thus mitigating related legal risks. Labour-related measures are average compared with the industry with a clear cultural specificity also visible in the company’s governance structure. However, control and pay mechanisms raise confidence in the company’s governance. Overall, and on a relative basis, Nidec Corporation displays above-average sustainability credentials and is therefore eligible to the sustainable investment universe.

Merck & Co.: giving access to medicine

Merck & Co. is a global healthcare company active in areas such as cancer, vaccines and animal health. Merck & Co. notably has

a comprehensive strategy to provide access for developing countries encompassing targeted R&D, equity pricing policies and tailored business models including voluntary licensing. The company is therefore developing its license to operate in underserved countries and is well positioned to contribute to and benefit from the development of health care beyond traditional markets. Besides, it displays an adequate management of operational and legal risks linked to environmental as well as corruption issues. However, product safety and marketing remain an area of progress given the company’s confirmed exposure to recurrent issues with direct business and legal implications. Corporate governance practices are in line with industry peers. On a relative basis, the company ranks as average and is part of the sustainable investment universe.

Shiseido: Addressing the product footprint

Shiseido is a Japanese fragrance and cosmetics company, aware of the relevant sustainability risks and opportunities in its industry. The company displays good management capabilities and a strong performance with regards to the environmental footprint of the product portfolio. Among other measures, Shiseido calculated the product carbon footprint for different product lines and has targets for more refillable product versions and packaging derived from plant-based polyethylene. Shiseido is exposed to chemical regulation (approx. 75% of the revenue in Japan, US and EU). So far the approach to managing controversial chemicals is compliance-driven and reactive compared to peers who have adopted

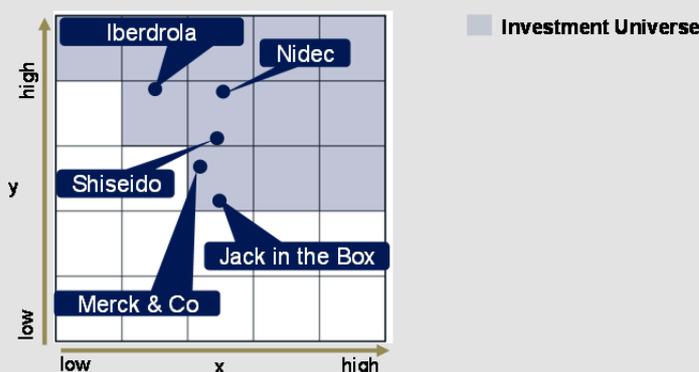
“Green Chemistry” principles, for example. On a positive note, Shiseido made important progress in the area of corporate governance in recent years. This resulted in an independent board of directors, which is still atypical in the Japanese market. Governance issues such as a poor executive pay disclosure remain a risk. Overall Shiseido’s sustainability performance results in an above-average sustainability rating.

Jack in the Box Inc.: the main issues

Jack in the Box Inc., founded in 1951, is a restaurant company that operates and franchises one of the largest US hamburger chains, with more than 2,200 restaurants in 21 states as well as Qdoba Mexican Eats, a leader in fast-casual dining, with more than 700 restaurants in 47 states. The company is a member of various industry groups that have programmes for sustainable sourcing of raw materials. Moreover, all of the company’s suppliers are expected to adhere to Hazard Analysis and Critical Control Points standard which is crucial for maintaining food safety. Additionally, the company’s labour policies are among the best in the industry. However, it has only taken limited steps to offer products with improved nutrition profiles. This puts Jack in the Box Inc. at a disadvantage in a world moving towards healthier food.

Sustainable Investment Research

Sarasin Sustainability Matrix®



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Sustainability Rating Methodology

The environmental, social and governance (ESG) analysis of companies is based on a proprietary assessment methodology developed by the Sustainable Investment Research Department of BJSS. All ratings are conducted by in-house sustainability analysts. The sustainability rating incorporates two dimensions which are combined in the Sarasin Sustainability-Matrix® :

Sector Rating: Comparative assessment of industries based upon their impacts on environment and society.

Company Rating: Comparative assessment of companies within their industry based upon their performance to manage their environmental, social and governance risks and opportunities.

Investment Universe: Only companies with a sufficiently high Company Rating (shaded area) qualify for Bank J. Safra Sarasin sustainability funds.

Key issues

When doing a sustainability rating, the analysts in the Sustainable Investment Research Department assess how well companies manage their main stakeholders’ expectations (e.g. employees, suppliers, customers) and how well they manage related general and industry-specific environmental, social and governance risks and opportunities. The company’s management quality with respect to ESG risks and opportunities is compared with its industry peers.

Controversial activities (exclusions)

Certain business activities which are not deemed to be compatible with sustainable development (e.g. armaments, nuclear power, tobacco, pornography) can lead to the exclusion of companies from the Bank J. Safra Sarasin sustainable investment universe.

Data sources

The Sustainable Investment Research Department uses a variety of data sources which are publicly available (e.g. company reports, press, internet search) and data/information provided by service providers which are collecting financial, environmental, social, governance and reputational risk data on behalf of the Sustainable Investment Research Department. The entire content of this publication is protected by copyright law (all rights reserved). The use, modification or duplication in whole or part of this document is only permitted for private, non-commercial purposes by the interested party. When doing so, copyright notices and branding must neither be altered nor removed. Any usage over and above this requires the prior written approval of the Bank. The same applies to the circulation of this publication. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data provided and shall have no liability for any damages of any kind relating to such data.

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