

# Swisscanto Funds climate targets

On the way to a sustainable future | Edition for Germany, Italy, Liechtenstein, Luxembourg, Austria

For the active managed Swisscanto funds of the Responsible and Sustainable product line, a <math>2^{\circ}\text{C}</math> or <math>1.5^{\circ}\text{C}</math> climate target applies as standard in the traditional asset classes. Specifically, since 2020 we have set the target for these funds of reducing the <math>\text{CO}\_2\text{e}</math> emissions of the investments by at least 4% (or 7.5%) annually. Individual funds in the Responsible product line apply a climate target that provides for a reduction in the <math>\text{CO}\_2\text{e}</math> emissions of the investments relative to the benchmark. In doing so, we also want to protect our investors from the financial risks of climate change and allow them to participate in the opportunities of a sustainable economy – changes in consumer demand or new future technologies, for example.

## Greenhouse gas budget as the standard

The greenhouse gas budget, also known as the <math>\text{CO}\_2\text{e}</math> budget, refers to the amount of <math>\text{CO}\_2\text{e}</math> emissions that can still be released without global warming exceeding two degrees compared to the pre-industrial level. Recognized scientific bodies have calculated this maximum number of <math>\text{CO}\_2\text{e}</math> tonnes that can be emitted in order to have a statistically significant chance that a maximum climate target, such as <math>2^{\circ}\text{C}</math> or <math>1.5^{\circ}\text{C}</math> is achieved. Footnote 2. This sets the carbon budget according to the climate target.<sup>2</sup>

If the economy continues as before, the greenhouse gas budget will be exceeded in 2028 for the <math>1.5^{\circ}\text{C}</math> climate target and in 2038 for the <math>2^{\circ}\text{C}</math> climate target. This is measured in terms of global <math>\text{CO}\_2\text{e}</math> emissions in 2019. Without reduction efforts, a rise in temperature of around four to six degrees Celsius is likely by the end of the 21st century.<sup>3</sup> This could cause irreparable damage to the environment, biodiversity and human well-being. The estimated loss of market value would be between USD 4.2 trillion and USD 13.8 trillion.<sup>4</sup>

The Paris Climate Agreement of 2015 therefore stipulates targets in order not to exceed the greenhouse gas budget. For example, <math>\text{CO}\_2\text{e}</math> emissions must be reduced by at least 70% from 2020 to 2025.<sup>5</sup>

<sup>1</sup> <math>\text{CO}\_2</math> equivalents (<math>\text{CO}\_2\text{e}</math>) are a unit of measurement to standardise the climate impact of the greenhouse gases carbon dioxide (<math>\text{CO}\_2</math>), methane (<math>\text{CH}\_4</math>), nitrous oxide (<math>\text{N}\_2\text{O}</math>) and fluorinated greenhouse gases (FCFs). All of these gases remain in the atmosphere for different lengths of time and do not contribute equally to the greenhouse effect.

<sup>2</sup> This sets the carbon budget according to the climate target.

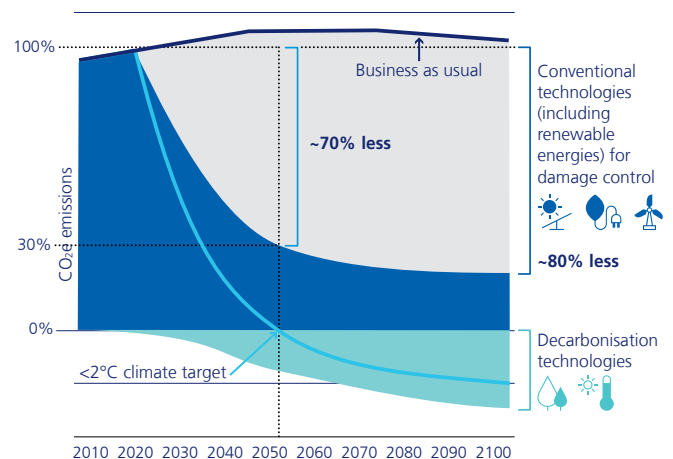
<sup>3</sup> Cf. UN Emission Gap Report 2020: <https://www.unep.org/emissions-gap-report-2020>.

<sup>4</sup> Cf. PRI, MSCI ([https://www.ngfs.net/sites/default/files/medias/documents/overview\\_of\\_environmental\\_risk\\_analysis\\_by\\_financial\\_institutions.pdf](https://www.ngfs.net/sites/default/files/medias/documents/overview_of_environmental_risk_analysis_by_financial_institutions.pdf)).

<sup>5</sup> <https://www.ipcc.ch/assessment-report/ar6/>

<sup>6</sup> Cf. Greenhouse Gas Protocol | ([ghgprotocol.org](http://ghgprotocol.org)).

## CO<sub>2</sub>e emissions comparison: With and without measures and with the Paris climate target (estimate)



Source: Zürcher Kantonalbank

## Calculation bases for CO<sub>2</sub>e intensity

Our target for our active managed funds in the traditional asset class with a reduction path is clear: we are reducing the <math>\text{CO}\_2\text{e}</math> emissions by at least 4% annually for Responsible and at least 7.5% for Sustainable (with the exception of thematic funds). For example this enables us to achieve the required reduction of at least 70% for a <math>2^{\circ}\text{C}</math> climate target resp. 90% for a <math>1.5^{\circ}\text{C}</math> climate target by 2050. This target was validated by scientific Sustainability Advisory Committee of Zürcher Kantonalbank when it was introduced.

But how do we measure <math>\text{CO}\_2\text{e}</math> emissions? A common measure is <math>\text{CO}\_2\text{e}</math> intensity, where a company's greenhouse gas emissions are divided by its revenue to obtain a measure of pollution per unit of revenue generated. Greenhouse gas emissions from companies of different sizes and sectors can be analysed in a comparable way.

Taking into account the international standard Greenhouse Gas Protocol (GHG Protocol),<sup>6</sup> we use emissions data from renowned external data providers. By standardising <math>\text{CO}\_2\text{e}</math> emissions, we obtain a comparable standard for all company investments. We consider direct and indirect emissions from companies designated as Scope 1 and Scope 2 in the GHG Protocol. Only the documentation of emissions data from upstream and downstream parts of the value-added chain (Scope 3) is not yet covered in the GHG Protocol due to a lack of

data availability and quality. Therefore, we do not currently include this data in the analysis.

For government investments, we use the official data of the European Union ("EDGAR"), which provides CO<sub>2</sub>e emissions data on all states. To ensure comparability for the different countries, we divide CO<sub>2</sub>e emissions by GDP.

### CO<sub>2</sub>e reduction in the actively managed funds of the traditional asset classes

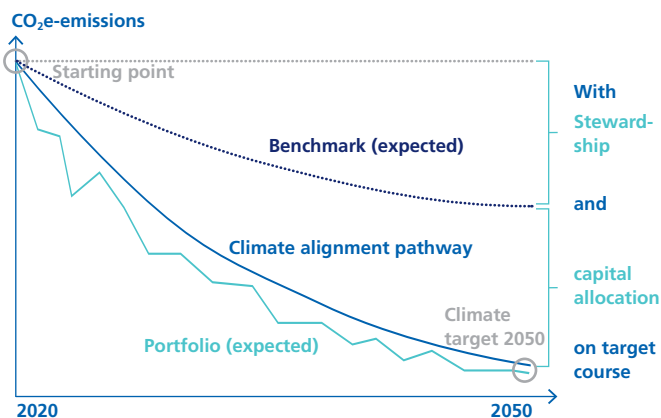
Since 2020, our investment experts have been aiming to achieve an annual reduction in CO<sub>2</sub>e emission of at least 4% in the Responsible product line and 7.5% in the Sustainable product line (excluding thematic funds), in their active funds across the traditional asset classes as a standard. Because the reduction is implemented with CO<sub>2</sub>e intensities, additional compensation for economic growth is necessary. The weighted CO<sub>2</sub>e emissions of the issuers in which the respective fund is invested, relative to the issuers included in the respective benchmark index, are monitored very closely.

We achieve our reduction target through Stewardship and capital allocation. Although part of the CO<sub>2</sub>e reductions will take place in the market itself, it is likely that neither their scale nor their pace will be sufficient to ensure compliance with the Paris Agreement. Accordingly, through our active voting policy and our engagement in active dialogue with the management of companies, we are working to ensure that companies set ambitious sustainability targets and make them measurable.

We also manage our investments via the capital allocation. We thus reduce the number of CO<sub>2</sub>e-intensive companies and countries that have no strategy for cutting CO<sub>2</sub>e emissions in favour of companies

and countries that are efficient in terms of their CO<sub>2</sub>e footprint as well as those companies and countries that pursue ambitious reduction targets. We reduce risks associated with emission-intensive activities and take advantage of opportunities for returns arising from climate-friendly future technologies.

### CO<sub>2</sub>e reduction path is based on a combination of market factors, active influence and Stewardship



Source: Zürcher Kantonalbank

We are implementing the climate goal for actively managed Swisscanto Funds in the traditional asset classes as standard. If the absolute reduction path cannot be implemented due to a lack of substitution options, a lower CO<sub>2</sub>e intensity compared to the respective benchmark index is sought.

Further information on our sustainable funds can be found at [swisscanto.com/ch/en/sustainability/sustainable-investment-funds.html](https://www.swisscanto.com/ch/en/sustainability/sustainable-investment-funds.html).

### Imprint

This brochure is published by Swisscanto Asset Management International S.A. ("Swisscanto").

### Legal notices

This document is intended for distribution in Luxembourg, Germany, Liechtenstein, Italy and Austria and is not directed at persons in other countries or at persons whose nationality or place of residence prohibit access to such information under applicable law. Where not indicated otherwise, the information concerns the collective investment schemes under the law of Luxembourg managed by Swisscanto Asset Management International S.A. (hereinafter "Swisscanto Funds"). The products described are undertakings for collective investment in transferable securities (UCITS) within the meaning of EU Directive 2009/65/EC, which is governed by Luxembourg law and subject to the supervision of the Luxembourg supervisory authority (CSSF). This document does not constitute a solicitation or invitation to subscribe or make an offer to purchase any securities, nor does it form the basis of any contract or obligation of any kind. The sole binding basis for the acquisition of Swisscanto Funds are the respective published legal documents (management regulations, sales prospectuses and key information documents (PRIIP KID), as well as financial reports), which can be obtained free of charge at [swisscanto.com](https://www.swisscanto.com). Information about the sustainability-relevant aspects in accordance with the Disclosure Regulation (EU) 2019/2088 for the Swisscanto (LU) funds is available on the following website: [swisscanto.com/int/de/rechtliches/nachhaltigkeitsoffenlegungen.html](https://www.swisscanto.com/int/de/rechtliches/nachhaltigkeitsoffenlegungen.html). The distribution of the fund may be suspended at any time. Investors will be informed about the deregistration in due time. The investment involves risks, in particular those of fluctuations in value and earnings. Investments in foreign currencies are subject to exchange rate fluctuations. Past performance is neither an indicator nor a guarantee of future success. The risks are described in the sales prospectus and in the PRIIP KID. The information contained in this document has been compiled by Swisscanto with the greatest care. Despite professional procedures, Swisscanto cannot guarantee the correctness, completeness and topicality of the information. Swisscanto rejects any liability for investments based on this document. The document does not release the recipient from his or her own judgment. In particular, the recipient is recommended to check the information for compatibility with his or her personal circumstances as well as for legal, regulatory, tax and other consequences, if necessary with the help of an advisor. Please read the prospectus and PRIIP KID before investing. The products and services described in this document are not available to U.S. persons under the relevant regulations (in particular Regulation S under the U.S. Securities Act of 1933). Data as at (where not stated otherwise): 07.2024