Sustainable investment for clients domiciled in Switzerland

Background

The topic of sustainability is becoming increasingly important. That is why St.Galler Kantonalbank (SGKB) is expanding its investment advisory services to include sustainability aspects.

Introduction

The development towards more sustainability is managed under the three pillars of sustainability: ESG. "E" stands for environmental compatibility, "S" for social and "G" for responsible corporate governance. Economic activities should also serve these goals. Companies are considered sustainable if they try to achieve these goals through their economic activities.

In order for SGKB to be able to optimally implement sustainability aspects in investment advice, it will ask its clients about their sustainability preferences. This decision controls whether sustainable financial instruments are to be included in the portfolio.

Your sustainability preference is required

By making a conscious decision in favour of or against sustainable investments, you set the course for the investment proposal that SGKB will make you. If you decide against sustainable investments, all investment solutions are available to you without restriction, as before.

If, on the other hand, you have a preference for sustainable investments, your advisor will suggest a selected sustainable solution.

SGKB's sustainability standard

SGKB's sustainability standard is based on a holistic understanding of sustainability (see chart, page 2).

SGKB uses a systematic methodology and MSCI ESG research for an optimal choice of financial instruments to invest in. In this context, the three sustainability filters that lead to a sustainable portfolio take into account the ESG sustainability components. In the final selection phase, economic criteria from financial analysis are also applied.

These above-mentioned requirements are reviewed on an ongoing basis for shares and, for bonds, at the time of purchase. Third-party funds are excluded from this as they take their own sustainability approach into account in the investment process.

Risks related to sustainability

ESG risks can arise in connection with sustainability. These may arise due to events or conditions from the areas of environmental compatibility, social issues and responsible corporate governance already mentioned. They may currently, but also in the future, have a negative impact on profitability, costs, reputation and thus on the value of the company as well as the price of financial instruments.

Environmental risks include physical risks such as damage and costs arising from extreme weather events caused by climate change, such as storms or flooding. In addition, transition risks are also taken into account, which include, for example, regulatory risks or liability and legal risks.

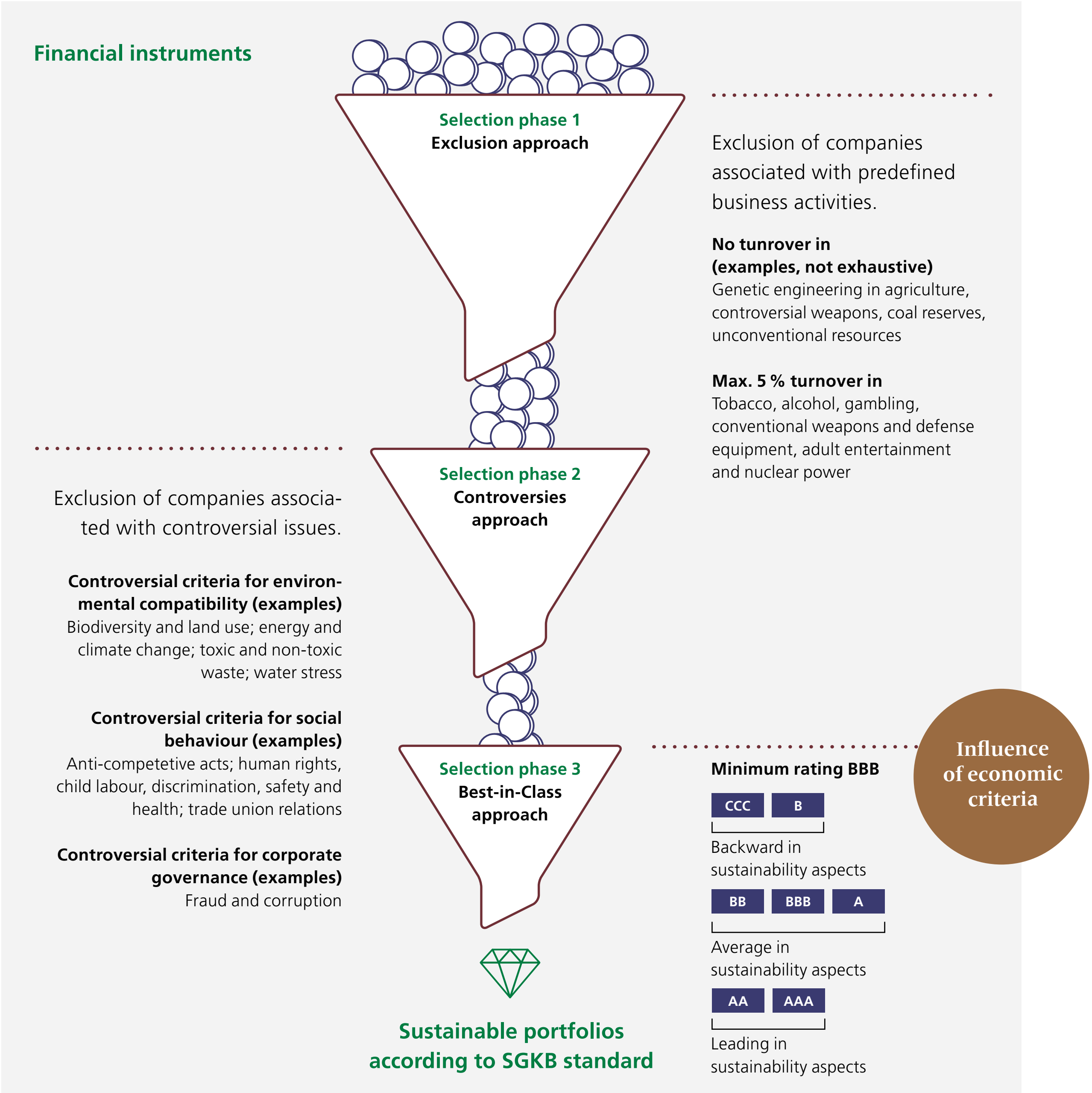
Social risks can arise, for example, from violations of employment standards, a lack of attention to occupational health and safety or unfair treatment of staff.

Corporate governance risks may include, for example, unequal treatment of shareholders or a lack of control mechanisms.

ESG risks can have different effects on financial instruments. It is therefore important that these risk factors are taken into account when selecting financial instruments.

In SGKB's sustainability approach mentioned above, these risks are analysed and reduced by including the minimum rating of BBB through the research of MSCI ESG.

See no. 1.6 of the brochure "Risks Involved in Trading Financial Instruments" of June 2023. Further information on this can be found on our homepage www.sgkb.ch/en/legal-guidelines.



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