



IST GLOBAL SMALL MID CAPS

About IST Investmentstiftung

Assets under management	CHF 9.0 bn
Number of inv. profess.	12
Number of inv. profess. dedicated to ESG	12
Participation in shareholder meetings	No

About IST GLOBAL SMALL MID CAPS

IST GLOBAL SMALL MID CAPS is an investment group that is structured as a fund-of-funds. It is actively managed and invests globally in a broadly diversified selection of small and medium-sized listed companies. The weightings of the world's three most important regions track the corresponding index. Selection of the fund managers for the individual regions is based on IST's proven best-in-class approach. This detailed and well-founded manager selection process draws on ESG criteria.

AMERICA SMALL MID CAPS

About Hermes Fund Managers

Signatory to UNPRI	Yes
UNPRI rating	A+
Assets under management	USD 44.2 bn; total AuM managed according to ESG principles
Number of inv. profess.	141
Number of inv. profess. dedicated to ESG	13
Participation in shareholder meetings	Yes
ESG rating	„Sustainable“
ESG consultant	Hermes EOS
Exercise of voting rights	Yes
Voting report	Yes

Incorporation of ESG factors into the investment process

ESG factors are incorporated into the investment process of the IST mandate in three ways. Firstly, at the point of investment proposal, explicit consideration is given to ESG and is included in the stock note. A summary of the major ESG issues pertinent to the company is included on the front page discussion at meetings with management. Once an investment has been made, a prioritised engagement agenda is created for stocks in the portfolio and delivered by Will Pomroy, the Lead Engager on the team. Secondly, each investment is given an explicit ESG score and this is then input into the monthly portfolio optimisation process. All other things being equal, a company with a higher ESG score will rise up to a higher position within the portfolio. Thirdly, the ESG credentials of the portfolio are then considered holistically, through the proprietary Hermes QESG score and compared to the index (Russell 2500) scores. Portfolio scores have been, and remain, significantly above index scores.

For more details please see <https://istfunds.ch/en/products-prices/>

EUROPE SMALL MID CAPS

About Columbia Threadneedle

Signatory to UNPRI	Yes
UNPRI rating	A+
Assets under management	USD 485.8 bn, USD 32.1 bn according to ESG principles
Number of inv. profess.	450
Number of inv. profess. dedicated to ESG	10
Participation in shareholder meetings	Yes, active
ESG rating	„Sustainable“ according to leading ESG rating agencies
ESG consultant	Internal team
Exercise of voting rights	Yes
Voting report	Yes

Incorporation of ESG factors into the investment process

ESG analysis is part of the consideration of investment opportunities and risks. The stock notes incorporate ESG factors and an ESG rating. This ESG rating comes from secondary sources and is complemented by proprietary analysis and the materially-focussed, forward-looking RI Rating which is informed by the work of the Sustainability Accounting Standards Board. Enhanced ESG research takes the form of a SWOT analysis of corporate performance against non-financial risk factors, including corporate governance, and prompts questions to raise during the engagement activities. The portfolio manager provides overall ratings of low, medium or high ESG risk along with an indication of 'sustainable opportunity'. They use a variety of measures to support sustainable outcome assessment and have developed a tool to demonstrate alignment with external frameworks such as the UN Sustainable Development Goals (SDGs) both at the company and portfolio level.

For more details please see <https://istfunds.ch/en/products-prices/>



IST GLOBAL SMALL MID CAPS

ASIA EX JAPAN SMALL MID CAPS

About Pinebridge

Signatory to UNPRI	Yes
UNPRI rating	B
Assets under management	USD 93.4 bn, USD 3.3 bn according to ESG principles
Number of inv. profess.	200
Number of inv. profess. dedicated to ESG	All inv. professionals are involved in Responsible Investment and ESG issues
Participation in shareholder meetings	Yes; ISS is engaged as consultant
ESG consultant	Internal team
Exercise of voting rights	Yes
Voting report	Yes

Incorporation of ESG factors into the investment process

At the core of the due diligence process is the Growth Categorization Research ("GCR") framework. GCR categorizes companies based on their position in the lifecycle and on the cyclical nature of their business. There are six lifecycle categories in the framework: Exceptional/High Stable/High Cyclical Growth and Mature Turnaround/Cyclical/Defensive. The selection of a particular company depends on the assessment of the following three steps:

- **Fundamental Progress (FP).** Assessment of the company's industry, its market position and management strength with a focus on analysis of the drivers of the company's earnings streams, cash flow and balance sheet. ESG criteria are specifically evaluated in the assessment of the growth and volatility of the company's earnings and cash flow.
- **Fundamental Revisions (FR).** Confirmation of the fundamental progress thesis in Step 1 will be seen through a progressive closing of the gap between the team's forecast and the consensus market expectation.
- **Valuation (V).** Valuation of the stock is assessed via metrics that are relevant to its growth category, the company, and the industry. Increased ESG risk can lead to a lower valuation multiple or a higher discount rate, both of which drive a lower valuation of the company.

JAPAN SMALL MID CAPS

About Aberdeen

Signatory to UNPRI	Yes
UNPRI rating	A+
Assets under management	USD 643.3 bn
Number of inv. profess.	1061
Number of inv. profess. dedicated to ESG	18
Participation in shareholder meetings	Yes
ESG consultant	Internal Stewardship and ESG team
Exercise of voting rights	Yes
Voting report	Yes

Incorporation of ESG factors into the investment process

Aberdeen views ESG integration as fundamental to how they invest, believing that ESG factors are financially material and can meaningfully impact performance, and that a company's ability to sustainably generate returns for investors is dependent on its ability to manage its relationship with the environment, with society and stakeholders, and on the way it is governed. ESG is a fundamental part of the equity research note and one of the key components by which they assess the quality of a company. Aberdeen looks at ESG from a bottom-up basis considering material ESG risks and opportunities. They also seek to understand the framework by which the company itself identifies these risks and opportunities, what processes they have in place to manage and mitigate those risks. Finally they seek to understand whether the market has understood and priced those same risks and opportunities appropriately.

There are three levels of ESG input in the research process.

- The central ESG team provides thought leadership, thematic and global sector insights, as well as event-driven research. The team is also heavily involved in governance and supports company-level engagements where appropriate. This helps guide and shape the overall approach to ESG.
- As part of the company research, Aberdeen's stock analysts evaluate the ownership structures, governance and management quality of the companies they cover. These insights are then captured in the final stock research note.
- The stock analysts work closely with the regionally-based ESG specialists who provide industry-leading expertise and insight at the company level. These specialists also mediate the insights of the central team to the stock analysts, as well as interpret and contextualise sector and company insights.

Source: IST, as of 30.09.2019 and 31.03.2019 (Pinebridge, Aberdeen)