

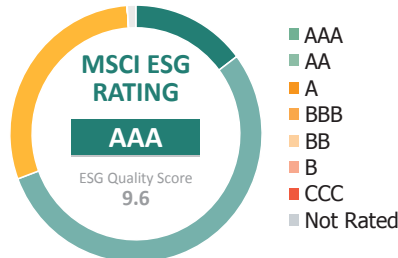
# IST SWISS EQUITIES INDEXED ON SMI

## IST Portfolio

Portfolio Manager	Lombard Odier Investment Managers
ESG Rating <sup>1</sup>	AAA
SFDR Category <sup>2</sup>	not applicable
Investment strategy	Passive

<sup>1</sup> MSCI ESG Report: [www.msci.com](http://www.msci.com)

<sup>2</sup> SFDR: The Sustainable Finance Disclosure Regulation is a European regulation introduced to improve transparency in the market for sustainable investment products. <https://www.eurosif.org/policies/sfdr/>



ESG Quality Score	ESG Rating
8.6 – 10	AAA
7.1 – 8.6	AA
5.7 – 7.1	A
4.3 – 5.7	BBB
2.9 – 4.3	BB
1.4 – 2.9	B
0.0 – 1.4	CCC

## Applied ESG Approaches

### Exclusion



**Yes.** IST exclusion list and process is applied:

Composition of IST exclusion list			
SVVK-ASIR	THEMATIC / SECTOR EXCLUSION	COUNTRY EXCLUSIONS	VIOLATIONS / VIOLATIONS OF NORMS
<ul style="list-style-type: none"> <li>– Nuclear weapons</li> <li>– Cluster munitions and anti-personnel mines</li> </ul>	<ul style="list-style-type: none"> <li>– Coal mining and power generation (turnover &gt; 25%)</li> </ul>	<ul style="list-style-type: none"> <li>– UN Security Council Arms Embargo</li> <li>– OFAC</li> <li>– Swiss sanctions</li> </ul>	<ul style="list-style-type: none"> <li>– Exclusion of non-cooperative companies</li> <li>– Violation of internationally acceptable standards</li> </ul>

Source: <https://istfunds.ch/en/esg-ist/>

### Proxy Voting



**Yes.** IST has been independently voting since 2008 at Swiss listed companies' general assembly based on advice received by an external, reputable proxy advisor.

Source: [https://istfunds.ch/media/5299/stimmrechtsausuebung\\_asi\\_d\\_2021.pdf](https://istfunds.ch/media/5299/stimmrechtsausuebung_asi_d_2021.pdf)

### Engagement



**Yes.**

Engagement activities by the portfolio manager: LOIM conducts both individual and collaborative engagements covering all assets it manages including the IST portfolio.

Engagement activities by IST in collaboration with Sustainalytics:

CRITERIA	DIALOG / GOAL DEFINITION	TERMINATION OF ENGAGEMENT
<ul style="list-style-type: none"> <li>– High ESG risk: Material Risk Engagement (MRE)</li> <li>– Thematic engagement (e.g. sustainable forests)</li> </ul>	<ul style="list-style-type: none"> <li>– Definition of firm ESG-goals in cooperation with investee company</li> </ul>	2 possible outcomes: <ul style="list-style-type: none"> <li>– Objective achieved («case resolved»)</li> <li>– Objective not achieved resp. company is not cooperative *</li> </ul>

\*Assessment to consider adding to exclusion list

Source: [https://www.istfunds.ch/media/5397/ist\\_d\\_engagementbericht-2021.pdf](https://www.istfunds.ch/media/5397/ist_d_engagementbericht-2021.pdf)

### ESG Integration



**Yes.** The portfolio manager LOIM uses an integrated, systematic and transparent approach, aiming to combine responsible criteria (best business practices with good ESG scores and low carbon footprint) with financial factors (quality, value, momentum, low risk and size) in an efficient manner, with low implementation costs. For active strategies the factors are weighted (vs. the benchmark), while for passive strategies they focus on the tracking error (vs. the benchmark).

### Best-in-Class

**Not applicable**

### Thematic/Impact Investing

**Not applicable**

## Portfolio manager: Lombard Odier Investment Managers

### Facts & figures

Assets under management	USD 72.3 bn
Whereof in sustainable investment strategies	USD 66.4 bn
Number of inv. profess.	184
Whereof dedicated to ESG	23
Signatory to UNPRI	Yes
UNPRI rating	A+ (Strategy & Governance)
Memberships (selection only):	
<ul style="list-style-type: none"> <li>• B Corporation Certificate</li> <li>• CDB (former Carbon Disclosure Project)</li> <li>• The Circular Bioeconomy Alliance</li> <li>• Climate Action 100+</li> <li>• EDGE (Economic Dividends for Gender Equality)</li> </ul>	<ul style="list-style-type: none"> <li>• Institutional Investors Group on Climate Change (IIGCC)</li> <li>• Net Zero Asset Managers Initiative</li> <li>• Task Force on Climate-related Financial Disclosures (TCFD)</li> </ul>

### Consultant / Partnerships

- Multi-year partnership with Oxford University (sustainable finance)
- SystemIQ

### Carbon Strategy

Carbon footprint is being measured since 2019 with the commitment to become net Zero for its operations by 2030

### Voting Activity

Yes, stewardship report 2020 available  
[https://am.lombardodier.com/files/live/sites/am/files/Documents/AssetManagement/Sustainability/LOIM\\_StewardshipReport\\_2020.pdf](https://am.lombardodier.com/files/live/sites/am/files/Documents/AssetManagement/Sustainability/LOIM_StewardshipReport_2020.pdf)

### Engagement

LOIM's engagement framework is fully integrated in its investment process and applies to 100% of its equities, convertibles and fixed income portfolios and mandates.

### Sustainable Investing (ESG Integration)

ESG integration into active or passive fundamental and systematic strategies follows the same process.

LOIM uses an integrated, systematic and transparent approach, aiming to combine responsible criteria (best business practices with good ESG scores and low carbon footprint) with financial factors (quality, value, momentum, low risk and size) in an efficient manner, with low implementation costs. The main difference between active and passive strategies is that for active strategies the factors are weighted (vs the benchmark), while for passive strategy we focus on the tracking error (vs the benchmark).

The integration of ESG assessments into the investment processes includes:

- **Systematic ESG screening and scoring:** Screening the investment universe applying LOIM exclusion policy on exclusion and sector restrictions and using the Lombard Odier ESG/CAR Industrial Materiality Rating Methodology to identify companies based on their sustainable profile also considering the most relevant industry sustainability issues (e.g. identify the bottom quintile within the investment universe). A sustainability score is computed for each company.
- **Temperature assessment and alignment:** with the Implied Temperature Rise Framework, using the proprietary tool called LOPTA, the investment manager assesses the carbon footprint and temperature alignment of companies based on industry/region breakdowns, historical paths and forward-looking trajectories and targets. The Implied Temperature Rise framework (which applies the methodological framework put forward by the TCFD's portfolio alignment team (Taskforce on Climate-related Financial Disclosure)) allows the investment manager to analyse temperature trajectories across portfolios and the extent to which companies or portfolios are aligned with the climate transition by estimating the level of global warming represented by specific companies or portfolios compared to targets of their respective peer groups.

The investment manager seeks to factor the above proprietary scoring and assessments into the basket construction of the fund's portfolios by tilting the baskets towards enhanced sustainability scores. The investment manager retains complete discretion regarding the way in which it integrates ESG assessments into its investment processes.

### Next steps and further developments

LOIM has joined the Net Zero Asset Managers initiative in 2021. Part of the ambition is to set a 2030 decarbonisation target including information on the calibration of the target, information on the interim targets and proportion of Au covered. LOIM will make full disclosure of the commitments and provide additional clarifications on the achievement of the net zero target together with a progress report in due course