



Engagement Report 2023

Responsible Shareholder Group

December 2023



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Introduction

Engagement Season 2023

The 2023 Engagement season focused on the further development of the Engagement offering. After several exchanges in the second half of 2022 with the members of the "Responsible Shareholder Group (RSG)", Inrate's engagement pool, to identify needs and expectations, every effort was made to implement them this year. As a result, we have revised our membership model to meet the different needs of our members more effectively. From 2024, there will be different membership types.

Another milestone will be reached with the launch of Inrate's proprietary online tool in January 2024. This will enable the members to stay up to date on Inrate's Engagement activities within RSG at all times. We will not only publish information on our activities, which will be updated on an ongoing basis, but also on the progress of the Engagement progress. Furthermore, the reporting options will be greatly expanded. It will be possible to download individual company reports at any time, as well as data in various formats, making it easier to carry out individual portfolio analyses or reporting. Members who wish to report in accordance with the "Swiss Climate Scores" or ASIP or AMAS guidelines will be able to select and download the required data.

In doing so, we are not only responding to the needs of our members, but also anticipating developments in a very dynamic regulatory environment. According to the UN PRI, an increasing number of countries are adopting

stewardship regulations or codes; globally there are already 25 jurisdictions. This fall, the Swiss Federal Council once again took a stance on the topic of greenwashing prevention in the financial sector and formulated requirements for a good "active ownership approach". In addition, the Asset Management Association Switzerland and Swiss Sustainable Finance published the Swiss Stewardship Code in October 2023. This serves as a "guideline for asset managers, asset owners and financial service providers to promote the active exercise of shareholder rights by investors in Switzerland". Inrate is proud to reference the "Swiss Stewardship Code" already in this Engagement Report 2023 (Table 4).

The increased focus on the effectiveness and impact of Engagement services in the aforementioned initiatives and guidelines was considered in concrete terms. For example, we have discontinued our previous "ESG Impact Rating Engagement", which involved an exchange with SPI companies on our ESG Impact Rating. The exchange was more of informative nature and was not aligned with any clear engagement goals. It was also decided that we no longer address engagement topics for which the target has been achieved in every Full Engagement, but only in every second Engagement, i.e. every six years, in order to focus our resources on topics where there is still potential for improvement.



Tilman Jundt
Head of Engagement

Inrate

Inrate AG is an independent Swiss sustainability rating agency. Inrate is not controlled by any major financial institution, neither does it manage any assets or funds, nor does it advise companies on sustainability or corporate governance. Our ratings measure the impact that a company's behavior and products have on society and the environment, as well as its willingness and ability to tackle corresponding challenges.

Inrate also offers shareholder services. Since 2011, institutional investors have been supported in exercising their shareholder rights with detailed corporate

governance research ("zRating") and voting recommendations. RSG has been organizing engagement meetings since 2006, which, prior to the "rip-off" initiative («Abzocker» -Initiative), largely focused on topics that are taken for granted today, such as the disclosure of remuneration and electronic remote voting. The RSG meeting was launched in 2013. The RSG has been managed by Inrate since 2019. Individual engagement requests outside of the RSG are also accepted and carried out.

About this report

- Engagement Season 2023: 23.11.22 – 21.11.2023
- Complementary Documents: Engagement Report 2023 & Engagement Policy
- Guidance: Swiss Stewardship Code 2023



Success factors of our Engagement services



Experience

Comprehensive Engagement services since 2006 with over 600 dialogues since 2015.



Reporting

Client-friendly online portal with all relevant information at hand and individual reporting capabilities.



Integrity

Independence and no conflicts of interest. Inrate neither advises companies nor manages assets. Data collection and analysis is carried out exclusively "in-house".



Coverage

Coverage of all companies in the Swiss Performance Index (SPI) and on request



Expertise

Highly skilled analyst team working on the topics of ESG and impact investing through broad proprietary data collection and analysis and strong academic background.



Goal-oriented Processes

Clear goals and milestones of Engagement dialogues are set and reported on transparently.

Executive Summary

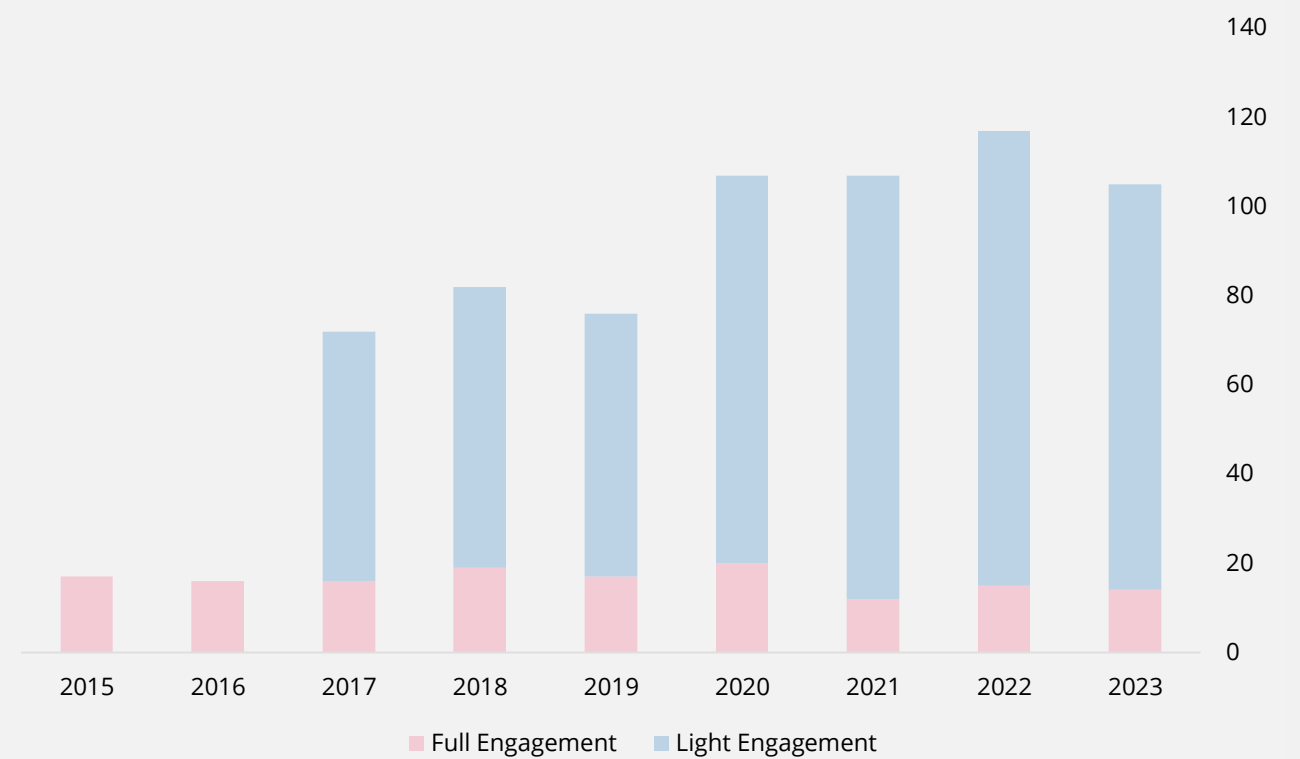
Activities

Overview Contacts

Key Messages

- Overall, the number of Engagements stagnated at a very high level: Out of 169 companies in our zRating-universe, 105 companies were engaged in 2023. In 2019 there were 158.
- The quality and scope of Engagements is increasing. While in 2020, 20% of our overall topics engaged were social and environmental ones, in 2023 this figure amounted to 24%.

Figure 1: Overview Contacts



Progress

Objective Status

Key Messages

- Of the topics repeatedly addressed, we were able to see improvements in 90 KPIs.
- In 9 topics, the improvements led to the achievement of the engagement objectives. Georg Fischer und Landis+Gyr should be highlighted as we were able to observe the achievement of 3, respectively 2 objectives this year.

How it works

The target of the engagement dialogues is to achieve 5 points (out of 5) in the overall score for each topic addressed at each company contacted.

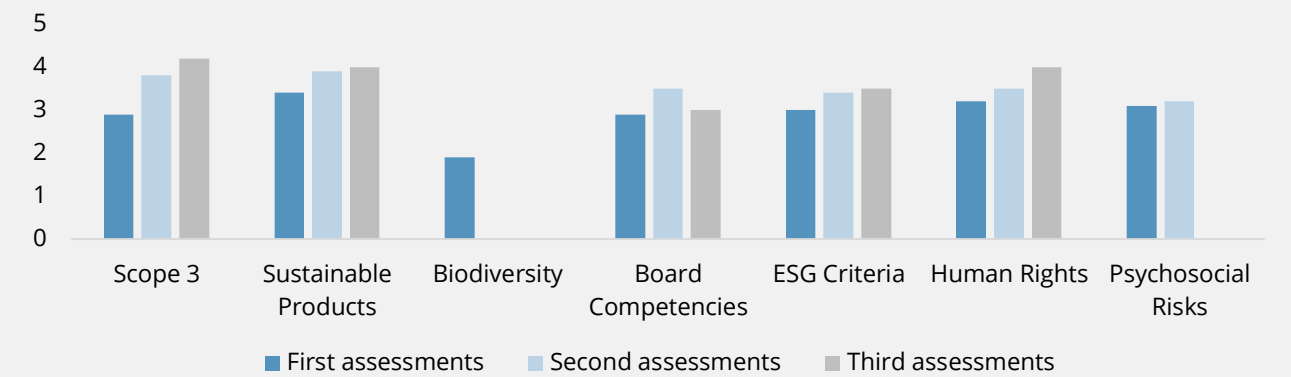
A target and milestones are defined for each topic. The achievement is assessed through "Key Performance Indicators", KPIs. The topics are assessed by our analysts against these KPIs at each full engagement.

Historical Development of Topics

Key Messages

- We recognize the difficulty of the cause-effect mechanism in engagement. However, Inrate's Engagement efforts are showing results. Overall, engaged companies are showing steady progress. Scope 3 Emissions and Human Rights in particular are being addressed at an above-average rate.

Figure 3: Historical Development of Topics



Activities

Full Engagement
(total: 143)



91



Light Engagement
(total: 544)

14

2023

Progress

Topics Assessed
(total: 107)



56



Objectives Reached
(of 22)

9



Objectives not Reached yet
(of 85)

47

Engagement Approach and Process

Engagement Approach and Philosophy

Our Engagement approach seeks to highlight a specific issue and bring about change through dialogue with companies. Our aim is for companies to improve their ESG impact and thereby create long-term value. This means avoiding current value creation at the expense of future generations.

While increasing efficiency, reducing resource consumption, innovating, and recognizing opportunities are conducive to future growth, reducing risks (e.g., reputational risks due to human rights violations) can reduce financial costs.

Figure 1: Company valuation using the discounted cash flow method (simplified)

$$\text{Firm value}\uparrow = \frac{\text{Future free cash flows}\uparrow}{\text{Cost of capital}\downarrow}$$

This is why Inrate aims to identify market-wide and systemic risks when selecting topics. In doing so, we are guided by the principle of Double Materiality. This approach includes an outside-in perspective: On the financial materiality axis, we assess the influence/effects of changes in the environment and society on the value of the company. In other words, how would the risk profile (cost of capital) and earnings situation (cash flows) change if social unrest were to occur at a location or an effective CO2

tax were to be introduced? On the impact axis, the effects of a company's activities on the environment and society (impact materiality) are considered from an inside-out perspective. This is to avoid a one-sided view of the topics in terms of mostly short-term financial effects and to adopt a long-term sustainability-focused perspective. The selection of topics for the Engagement Season 2023, which was approved by the members of the RSG, can be found in Table 1.

Table 1: Key Topics

Environment	Social	Governance
Scope 3: Indirect CO2-Emissions	Human Rights Due Diligence	Competencies in the Board
Sustainable Products and Services	Psychosocial Risks at Work	ESG Criteria in the Compensation System
Biodiversity		Corporate Governance Assessment

Process

Engagement processes can take a long time and develop over several stages. Personal, ongoing dialogue with selected companies in the Swiss Performance Index (SPI) is just as important for the success of Engagement processes as a shared cultural space and a long-term exchange based on mutual trust.

Our aim is to conduct a “Full Engagement” with the focus companies every three years. This involves the Inrate delegation

meeting with company representatives on site to discuss progress on all key topics (see Figure 2). Regular follow-ups on the topics take place in between (Light Engagement). In addition, all other companies in the SPI are notified of deficits in the key governance topics as part of our corporate governance rating (Light Engagement (zRating)). Find more information on our engagement types on p. 10f.

Figure 2: Engagement Cycles

Year	0	1	2	3
Focus Companies	Full	Light	Light	Full
SPI	Light (zRating)	Light (zRating)	Light (zRating)	Light (zRating)

Selection Criteria Focus Companies




1. Potential for improvement (ESG Impact Rating of Inrate lower than B. Scale from A+ to D-)
2. Relevance or impact potential of companies (e.g., on the basis of turnover)
3. Preference of RSG members






Topic Assessment and Target Setting

One target and different milestones are defined for each key topic. Milestone achievement is evaluated using key performance indicators (KPIs). The topics are analyzed and evaluated by our analysts on the basis of these KPIs for each “Full Engagement”. Criteria are defined for each KPI, according to which a three-stage evaluation (red, yellow, green) is carried out. This assessment then flows into a five-level total score per key topic (red, orange, yellow, light green, dark green) (see Figure 3).

The goal of our Engagement is to achieve five points in the overall score for each targeted topic and for each contacted company. A milestone is achieved when a KPI is evaluated as green. The re-evaluation takes place every three years as part of the “Full Engagement”.

Figure 3: Evaluation Scheme

Evaluation of the KPI	
- 5 (Excellent)	
- 3 (Sufficient)	
- 1 (Poor)	

Evaluation for the topic (Total score)	
- 5 (Excellent)	
- 4 (Good)	
- 3 (Sufficient)	
- 2 (Insufficient)	
- 1 (Poor)	

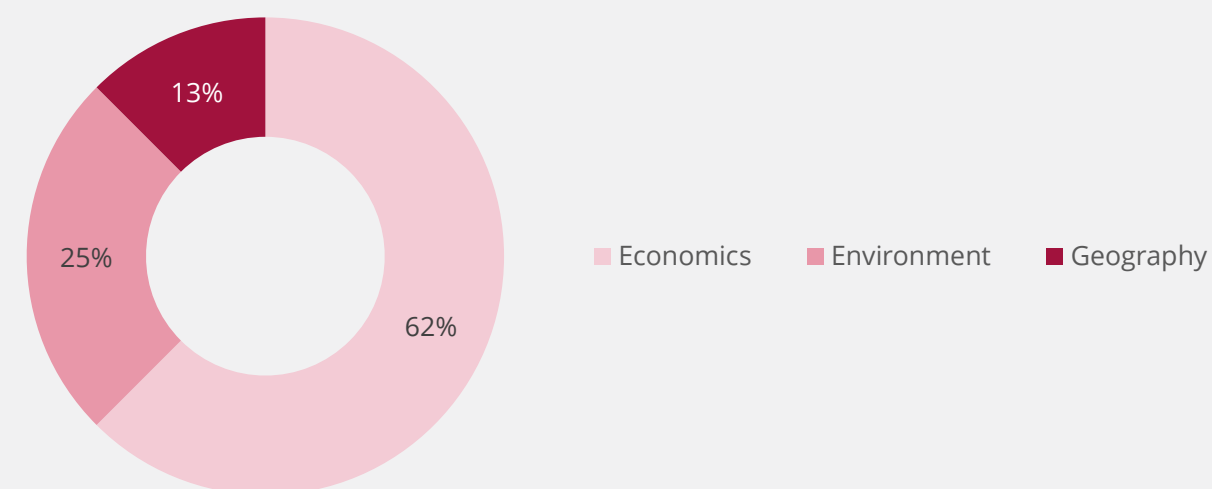
Engagement Activities

Inrate Participants

We act as representatives of the RSG members. In 2023, a total of 8 people from Inrate were involved in the Engagement activities. 50 % of those involved were women and 50 % men. The participants have different educational

backgrounds: From business scientists and economists to geographers and environmental scientists. This also ensures a diversity of opinions internally, which helps to cover and discuss different aspects.

Figure 4: Educational and professional background Inrate Engagement Team

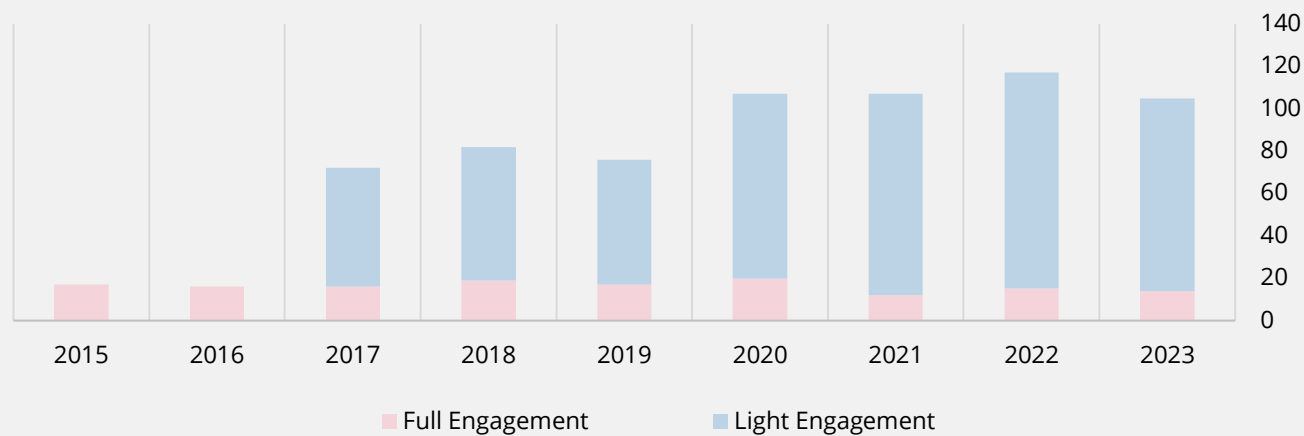


Historical Developments

Engagement activities have visibly increased in recent years (see Figure 5). **In total, there were exchanges with 105 out of 169 companies in our universe this year.** This corresponds to the companies that we rate based on the corporate governance analyses ("zRating"). We have had contact with 158

companies since 2019 and 164 companies since 2015, with 512 exchanges since 2019. Multiple contacts within an Engagement type are only counted once. This contrasts with other engagement providers, which count every single contact.

Figure 5: Engagement since 2015 by type



Full Engagements

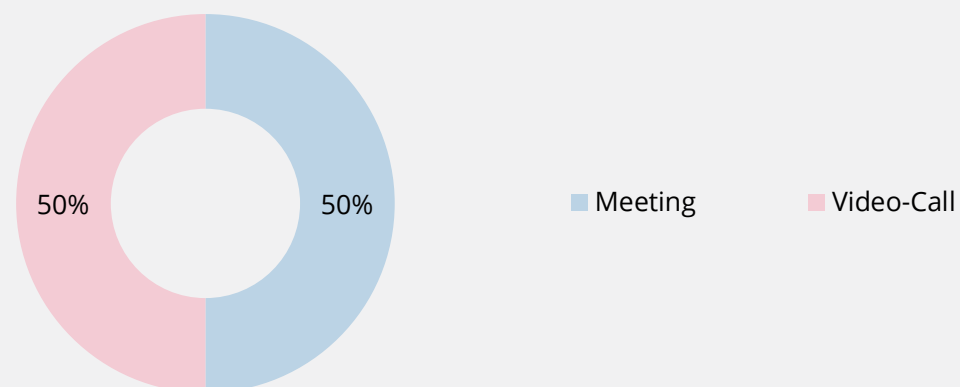
Full Engagement usually involves an on-site visit during which all or most of the key topics are discussed based on

analyses and presentations. Controversies and for rejection suggested agenda items at companies' Annual General Meetings are also discussed. The analyses are carried out by our qualified Inrate employees on the basis of publicly available information.

The meetings are usually attended by three Inrate representatives specializing in Environmental, Social, and Governance issues. **We conducted a Full Engagement with 14 companies in 2023,**

of which three companies were approached for the first time in this setting. This increased the number of focus companies from 44 to 45 (see Table 3; Sunrise and Credit Suisse were excluded from the universe due to their takeover). The proportion of physical meetings has increased following the Covid-19 pandemic (Figure 6). However, some companies still prefer virtual meetings, which do not lack quality thanks to the appropriate technology. Inrate nevertheless prefers physical meetings to give the "human factor" in these dialogues the space it deserves.

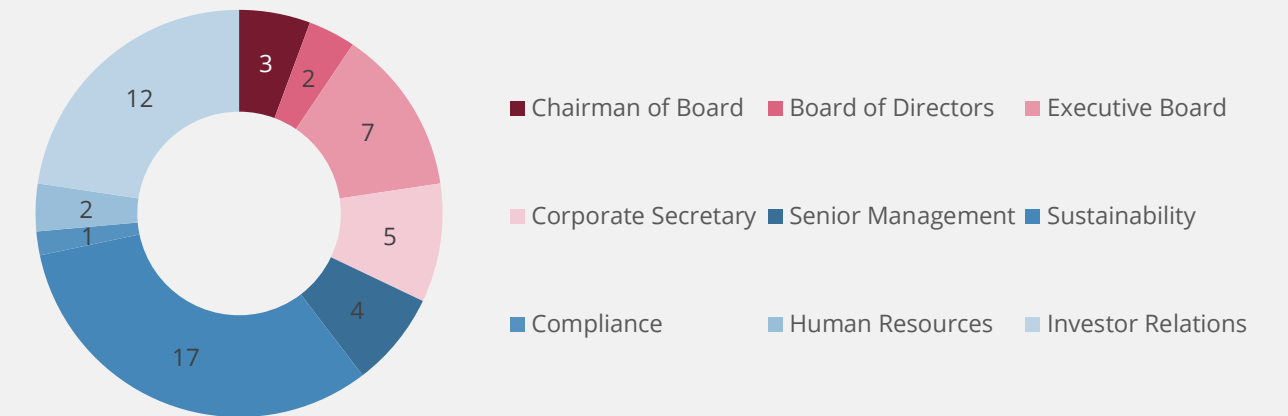
Figure 6: Dialogue Full Engagement



Acting as a pool of shareholders appears to be worthwhile, as is Inrate's high profile in the Swiss financial market. Of the 56 people involved on the company side this year, 30% were members of top management (Figure 7). This is a decrease compared to last year, when it was nearly 50%. However, this year, the meetings were high in number of participants on the company side. Last year we had an exchange with 46 people during 15 Full Engagements

while this year, there were 56 people in 14 Full Engagements. **It is therefore noteworthy that at least one member of top management or governing body was present at 11 of the 14 meetings.** We could also observe an increasing quantity of representatives from the sustainability departments at the table. This could indicate the companies' potential dedication to this issue and consequential restructuring processes.

Figure 7: Overview Function Engaged Companies



Of the eleven companies that were repeatedly targeted this year, we noticed a change in the topics that were addressed more than once. These are the six key topics *Competencies in the Board, ESG Criteria in the Compensation System, Human Rights Due Diligence, Psychosocial Risks at Work, Scope 3 Emissions*, and, in a slightly different form, *Sustainable Products and Services*.

For the first time this year, one rule of Inrate's new Engagement Policy was implemented: Key topics for which the Engagement target has already been achieved are only addressed every other Full Engagement to increase resource

effectiveness. Five KPIs are assessed for each key topic. As 59 key topics were addressed repeatedly, a total of 295 KPIs could be compared. **We were pleased to see an improvement in 90 KPIs. The milestone was achieved for 67 of these (green rating for one KPI).** For 60 KPIs, the milestone had already been reached at the last contact, for 121 KPIs we were unable to detect any change, and for 24 we even observed a deterioration. **As a result, we are pleased to note that 9 engagement targets were achieved this year.**

Light Engagement

Companies that have already been in contact with Inrate as part of the Full Engagement are contacted annually on the RSG-defined key topics in order to work towards improvement. The topics are selected according to their urgency and potential for improvement. Inrate also addresses controversial business practices and rejected agenda items at the Annual General Meeting.

In previous years, this Engagement type was called "Update Engagement". **This year, 27 companies were contacted as part of a Light Engagement (26 in the previous year), with most of the exchanges carried out by e-mail.**

Figure 8: Dialogue Light Engagement



Light Engagement (zRating)

As part of the corporate governance ratings, Inrate conducts a dialogue with companies to ensure quality and achieve improvements in corporate governance. In previous years, this Engagement type was called "zRating Engagement".

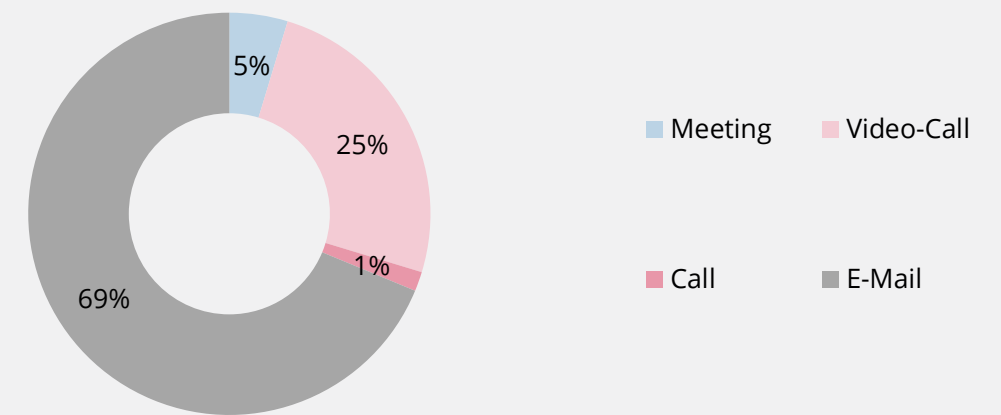
All companies in the Swiss Performance Index (SPI) that are not already in a regular dialogue with us (focus companies) are informed about their corporate governance rating and asked

about potential for improvement in the two governance key topics *Competencies in the Board* and *ESG Criteria in the Compensation System*. The rejected agenda items at the Annual General Meetings are also addressed. The 66 other topics from the comprehensive list of criteria (e.g., "Whistleblower reporting offices") are then also raised in the dialogue.

In 2023, Inrate informed a total of 114 companies about the assessment of their corporate governance. This resulted in 64 dialogues (Figure 9), most of which were conducted via e-mail. 20 of these exchanges took place in

physical meetings, video or telephone conferences, which demonstrates a high level of interest in our governance assessment. We presented our views, promoted changes, and clarified ambiguities.

Figure 9: Dialogue Light Engagement (zRating)

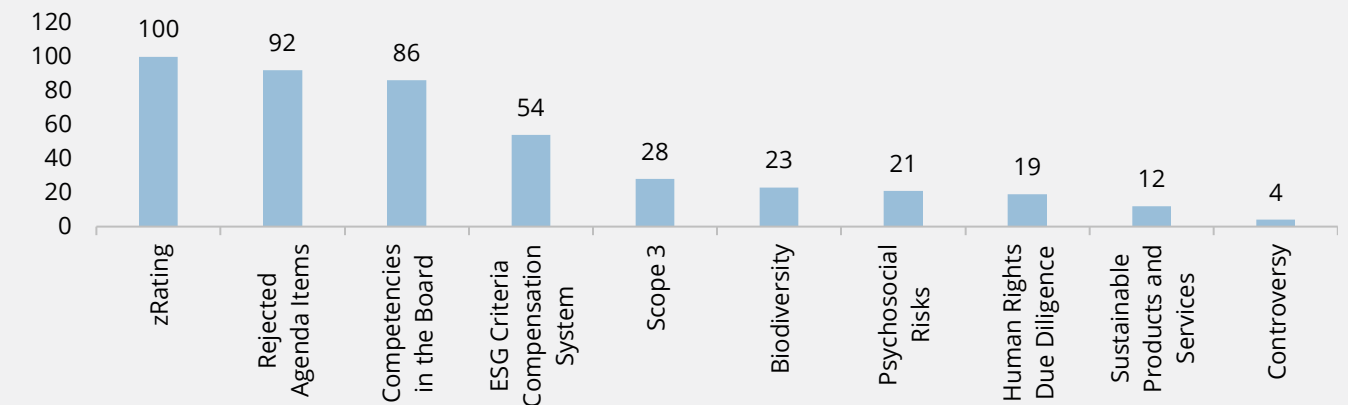


Key Topics

Considering all three types of Engagements, we see that the Governance-topics were engaged on more often than the Environmental and Social ones this year (Figure 10). The reason for this lies in our Light

Engagements (zRatings) where we intend to get in contact with all SPI companies with our Corporate Governance Rating (zRating) and our other Governance-related topics.

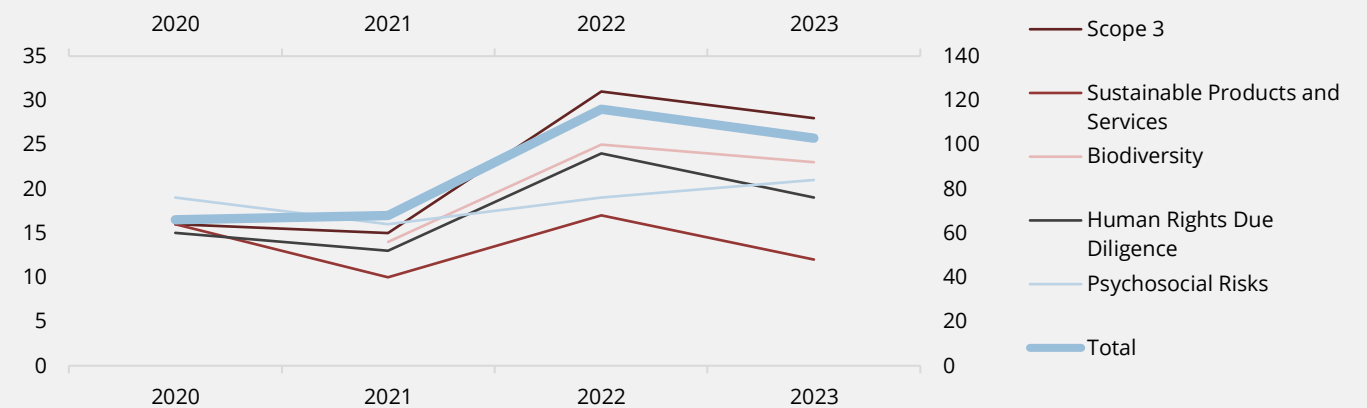
Figure 10: Topics Engaged 2023



However, since 2020, we have intended to increase our focus company universe and therefore address more companies with our Social and Environmental key topics. Consequently, the amount of Environmental and Social topics addressed rose from 66 in 2020 to 103 this year (Figure 11). This is not only due

to our general increase in Engagements (Figure 5) but also explained by our increase in Full and especially Light Engagements. Hence, the share of Social and Environmental topics versus topics overall rose from 20% in 2020 to 24% this year.

Figure 11: Historical Development Topics Engaged (Environment & Social)



Our reporting will, however, increasingly focus on the outcome of our Engagements. The results of the key topics that Inrate assessed this year as part of the Full Engagement are presented below. Table 2 shows the average total scores for the individual key topics. *Sustainable Products and Services* received the highest score (3,9 out of 5 points). This is not surprising, as this topic is generally one of the three topics where

focus companies are already advanced. (Figure 13) and only three companies were contacted for the first time with this topic this year. Identically to last year, the lowest score was achieved for the topic of *Biodiversity* (average of 1.9 out of 5 points). *Biodiversity* was only added as a new topic in 2021. Figure 12 complements this information with the score distribution at all Full Engagements 2023.

Table 2: Average Total Score 2023

Key Topics	Ø Total Score 2023
Sustainable Products and Services	4,0
Scope 3	3,7
ESG Criteria in the Compensation System	3,5
Human Rights Due Diligence	3,3
Competencies in the Board	3,2
Psychosocial Risks at Work	3,1
Biodiversity	1,9

We acknowledge the difficulty of the cause-effect mechanism in engagement. However, Inrate's Engagement efforts show results. **We are therefore pleased to report that nine Engagement targets were achieved this year.** We would particularly like to highlight the fact that Georg Fischer, Landis+Gyr, and Swiss Life achieved their Engagement targets for *Scope 3 emissions* for the first time. Further examples can be found in the topic sections and, for RSG members, in our online tool.

This particular success contributes to the overall progress we can observe when

considering the overall assessment of our key topics after our dialogue started; hence after our first assessment as part of the first Full Engagement (Figure 13). We are glad to observe strong progress in the topics of *Scope 3 Emissions* and *Human Rights Due Diligence*. Apart from the Engagement efforts, reasons could certainly be the enhanced pressure from the legislator especially concerning human rights and from different stakeholder like customers, general public, or the legislator to push for credible GHG-emission reductions.

For the topic *Competencies in the Board* we observe a slight negative development as far as total score is concerned. The reason for this is the stricter requirements placed on companies with the inclusion of the competence "experience in sustainability"

in the catalog of requirements. This means that companies did not deteriorate in their performance but that the bar has been raised.

Figure 12: Total Score Distribution 2023

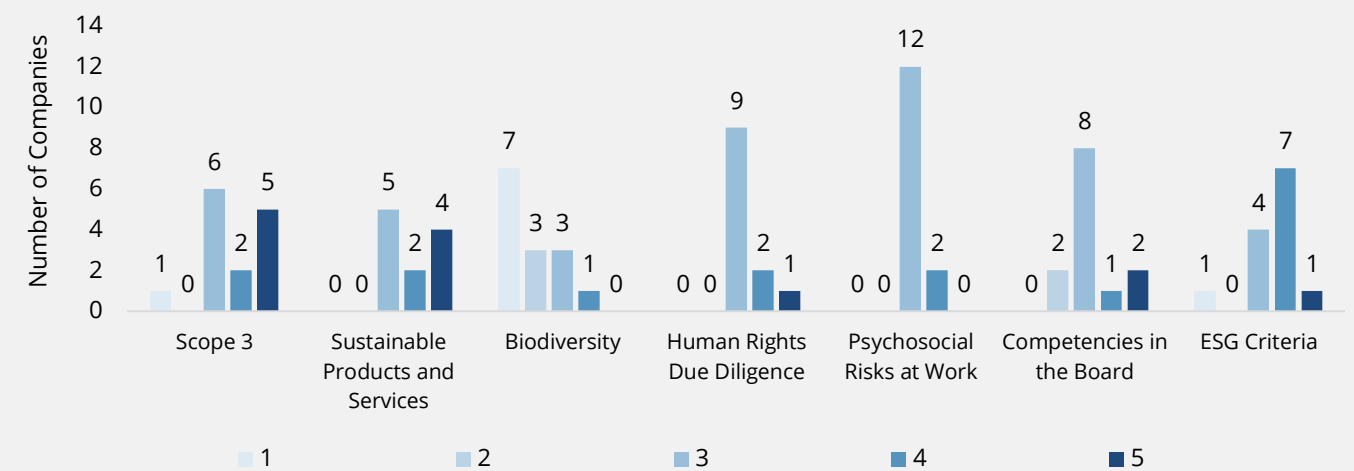
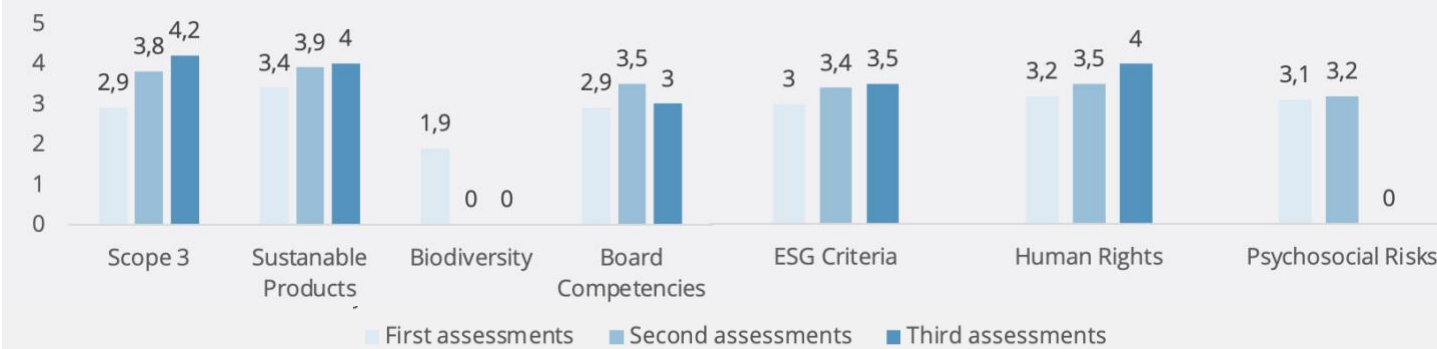


Figure 13: Historical Development of Key Topics



Scope 3

Brief Description

Greenhouse gas emissions are divided into scopes 1, 2, and 3. Scope 1 emissions covers emissions from sources that a company owns, typically from burning fuel. Scope 2 emissions are defined as the emissions that are indirectly caused by a company through its energy consumption whereby the emissions are generated by the energy producer. Scope 3 emissions are very far-reaching. Scope 3 emissions include, among others, purchased goods

and services, preliminary services and work, transport from third party suppliers, waste and semi-finished products, emissions during the use phase, disposal of products, and investments. In most sectors, scope 3 emissions are far greater than scope 1 and 2 emissions. For example, in the case of buildings (which includes the construction sector, real estate, and housing), scope 3 emissions are twice as high as scope 1 emissions.

Materiality

Climate change is currently the dominant sustainability issue and poses a systemic risk to the economy and society. In 2015, the Paris Agreement agreed to limit man-made global warming to well below 2° C. The private sector will have to make its contribution here. In 2022, only 27% of Swiss companies adopted a quantitative reduction target for Scope 3 emissions (Inrate universe).

A more careful use of resources reduces costs in the long term, especially if nationwide taxes on CO2 were to be levied. Controlling scope 3 emissions will therefore not only contribute to a sustainable development but boost earnings. On the finance side, risks arising from supply chains with high scope 3 emissions can be reduced. The control of scope 3 emissions should therefore be reflected in the value of the company in the long term.

Development 2023

In 2023, discussions on Scope 3 were held with 14 companies as part of a Full Engagement. There was a Light Engagement update on this topic with an additional 14 companies, mostly via email. Compared to last year, we see a definite increase in the reporting on scope 3 emissions. While in the previous year 9 out of 15 companies (60%) at least partially achieved milestone Reporting of KPIs, in the current year a total of 13 companies out of 14 reported on at least in partial on scope 3 emissions categories. 8 of which report on all relevant emissions categories separately and therefore achieve this milestone. It has to be stressed that the comparability is limited considering the three years cycle of Full Engagements, the companies were not identical to the ones held dialogues with in 2022. The revised version of the *Targets and Follow-up* milestone was used for the first time in the 14 Full Engagement exchanges. As of now, the target milestone for scope 3 is aligned with the Science Based Target initiative (SBTi) and reached with a verified net-zero GHG reduction target. In 2023, no company reached the milestone *Targets and Follow-up*.

Nevertheless, the majority of 8 out of 14 companies are still making process concerning targets. Some of them have already set scope 3 targets and submitted them to SBTi but they are still in the process of being verified. Others even have partially verified SBTi targets (e.g., near-term) but do not achieve the overall near- and long-term verified net zero target. Overall, it can be stated that the topic was taken seriously by almost all companies. The lack of data availability is seen as the biggest challenge. In connection with this, it was mentioned several times in the dialogues that the goal is to publish reliable figures and that companies would rather take more time to compile them than revise the calculation method every year.

Overview Scope 3

Status overview

Ø Total Score 2023	3.7 of 5
Milestones reached 2023	12
Objectives reached 2023	3
Objectives reached total	6
Objectives not reached yet	13

Milestone definition



Management Positioning

Scope 3 is a material issue for the company with detailed information disclosed



Targets and Follow-up

Net-zero GHG reduction target, verified by the Science Based Target initiative (SBTi)



Policies and Programs

Company presents policies concerning Scope 3 emissions and effective programs which help to reduce Scope 3 emissions



External Verification

Scope 3 emissions are verified by a third-party verification company



Reporting of KPIs

All (or most) scope 3 KPIs OR very relevant scope 3 KPIs with some additional information

Example 2023

Landis+Gyr

A first Full Engagement with Landis+Gyr took place in 2020. This exchange included the focus topic of Scope 3. At that time, the company achieved an overall score of 3. For example, Landis+Gyr reported scope 3 emissions caused by air travel, but other material scope 3 categories were missing. Last year, there was a Light Engagement update via video call in which the company announced that it would set SBTi scope 3 targets. Still only the business flight scope 3 category was reported.

In the exchange this year, we were pleased to note that the company now reports scope 3 emissions by category, reaching the milestone Reporting of KPIs. Apparently 68% of Landis+Gyr's total

GHG emissions stem from 'Use of sold products'. The sustainability report is subject to external verification, also an improvement to the baseline of 2020 and with this reaching the milestone *External Verification*. Furthermore, the company has made good on their announcement concerning SBTi. Their near- and long-term and net-zero targets were submitted for validation in November 2022. It can be expected that the validation of the targets through SBTi will also fulfill the requirements for the milestone *Targets and Follow-up*. Above all, Landis+Gyr reaches an excellent result in the focus topic Scope 3, resulting in the fact that Scope 3 emissions will in turn be addressed in further 6, instead of 3 years' time.

Sustainable Products and Services

Brief Description

Sustainable products and services play a central role in addressing sustainability issues by minimizing resource use and reducing waste. They also embody social responsibility through accessibility of products and community engagement. These products align with consumer demand for environmentally and socially responsible choices, reflecting market trends and enhancing brand loyalty in an increasingly sustainability-conscious consumer landscape. The opportunities for action and potential for improvement of Sustainable Products and Services are manifold. This is because to make a product or service more sustainable, the entire life cycle can and should

be considered - from the cradle to the grave. The possibilities for more sustainable design are as diverse as the products and services themselves. A key strategy involves including and increasing the share of recycled materials. Particularly in the Pharmaceutical industry, toxicity and degradability as well as the proper disposal of products play a particularly important role. On the other hand, there is comparatively little room for movement in this sector when it comes to redesign of packaging due to legal requirements. In other sectors, where packaging must fulfil significantly fewer requirements, there are more alternatives for companies to use more sustainable packaging solutions.

Materiality

The development and promotion of sustainable products and services not only resonate with environmentally conscious consumers but also present opportunities for businesses to tap into new markets and realize cost savings. In a broader sense, this involves adapting the business model and making the product range more sustainable.

Neglecting to consider the ecological footprint of products poses not only ecological and financial risks but also threatens a company's long-term reputation, emphasizing the importance of integrating sustainability into business models and product ranges.

Development 2023

The topic of *Sustainable Products and Services* was addressed in a Full Engagement with 11 companies in 2023 and with one further company in a Light Engagement. As in previous years, the vast majority of companies have classified the topic as material and have significant guidelines and programs in place to reach the respective milestones. The assessment of KPIs also shows a positive trend. In this Engagement season, 6 companies (55%) reached the milestone *Reporting of KPIs* compared to 13% in 2022. The milestone *Targets and Follow-up* also shows an increase in coverage. Three companies achieved this milestone in 2023, while a single company reached this milestone in the previous year. Certainly, this milestone is identified as the area with the greatest potential for improvement in the years to come. Companies mention different obstacles. For example, the contract manufacturer Lonza stresses its limited possibilities on access to medication for patients, which would focus on the social aspect of *Sustainable Products and Services*, as they are not in

direct contact with them. Confidentiality agreements certainly constitute another issue in communicating sustainability efforts in specific product lines. Lonza mentioned that they do work directly with their clients on a one-to-one basis to reduce the impact of new products and that it also takes time to communicate and adapt documentation of respective products and processes.

Overview Sustainable P&S

Status overview

Ø Total Score 2023	3.9 of 5
Milestones reached 2023	9
Objectives reached 2023	3
Objectives reached total	6
Objectives not reached yet	12

Milestone definition



Management Positioning

Sustainable products and services are a material issue for the company with detailed information disclosed



Policies and Programs

Company presents policies and convincing programs concerning sustainable products and services with detailed information



Reporting of KPIs

Company-wide KPI related to sustainable products and services



Targets and Follow-up

Company-wide quantitative targets and follow up related to sustainable products and services



External Verification

The reporting of sustainable products and services are verified by a third-party verification company

Example 2023

Swiss Life

A Full Engagement was conducted with Swiss Life in 2019, 2020 und 2023. In 2019 and 2020, the focus topic was still addressed under the title Green Product and Services. Responsible investing and insurance products are seen as relevant in the field of Sustainable Products and Services for Swiss Life.

While the company did not have a clear Management Position defined in respect to green and sustainable products in 2019, the company achieves this milestone in 2023 by specifically addressing their sustainability strategy as an asset owner and manager and being a signatory of the

UNEP Principles for Sustainable Insurance. The milestone *Policies and Programs* was also reached this year with Swiss Life having a responsible investment and engagement policy in place.

Additionally, sustainability aspects are incorporated into the advisory processes approach and in their insurance business. In comparison to 2019, the company was able to improve all remaining three milestones as well. Nevertheless, there is room for improvement left, for example concerning the Reporting of KPIs, there is information missing on insurance products to reach this milestone.

Biodiversity

Brief Description

Biodiversity encompasses life forms, habitats and the genetic diversity of flora and fauna. Human activities have changed the natural environment to such an extent that one million animal and plant species are threatened with extinction in the coming decades. Possible measures to prevent the

loss of biodiversity include companies avoiding soil degradation and minimizing the negative impact of their activities. They can also invest in the restoration of already degraded areas or the purchase of more carefully extracted raw materials.

Materiality

Companies can have a direct impact on biodiversity through their business activities. The conversion of forests into agricultural land, for example, contributes to around 25 % of global greenhouse gas emissions, which in turn reduces the ability of these ecosystems to respond to extreme events caused by climate change. Another underestimated issue is the impact of raw material extraction, later to be processed to several products. There is considerable potential for improvement here for most companies not active in the primary sector.

In 2020, the World Economic Forum (WEF) defined biodiversity loss as one of the top five risks, as more than half of the global economy depends on nature's natural resources and services and more than 80% of the Sustainable Development Goals (SDGs) are linked to biodiversity. Therefore, biodiversity conservation is increasingly relevant to companies' business. The consequences of biodiversity loss include rising costs for raw materials and a lack of stability in supply chains.

Development 2023

In 2023, 13 Full Engagement dialogues were held on the topic of biodiversity. There were also 9 Light Engagements on this topic. As the topic of biodiversity has only been a focus topic of Inrate's engagement since 2021, it has not yet been possible to make any comparisons with regard to development for individual companies. Nevertheless, the results the companies achieved this year can be viewed in sequence with the ones held dialogues with in the two previous years. In general, the relevance is still classified as low.

Seven companies have an overall score of 1 (out of 5). The challenge is to convey to the companies their respective influence on the topic when they have no obvious direct links to the primary sector. Nevertheless, in their policies and initial programs, the companies Barry Callebaut, Georg Fischer, Nestlé, and Swiss Re namely take biodiversity into account. Nestlé and Barry Callebaut are the only companies to present a directly linked KPI on land use change or restoration. In the dialogues, the companies address the complexity of this topic

and the challenge in developing KPIs on a company-specific basis. In addition to Inrate's endeavors, various initiatives such as the "Taskforce on Nature-Related Financial Disclosure" will increase the importance of the topic.

Overview Biodiversity

Status overview

Ø Total Score 2023	1.9 of 5
Milestones reached 2023	-
Objectives reached 2023	-
Objectives reached total	-
Objectives not reached yet	-

Milestone definition



Management Positioning

Biodiversity is a material issue for the company with detailed information disclosed



Targets and Follow-Up

Quantitative targets disclosed and follow-up related to biodiversity



Policies and Programs

Company presents policies concerning biodiversity and/or programs which help to avoid biodiversity loss and actively restore degraded areas to natural environments



External Verification

The reporting on biodiversity is verified by a third-party verification company



Reporting of KPIs

Specific KPIs concerning biodiversity according to GRI 304

Example 2023

As the topic has only been engaged since 2021, we have not yet been able to analyze any developments.

Human Rights Due Diligence

Brief Description

We define human rights due diligence as the goal of avoiding negative impacts on people and the environment that are caused by a company itself or by actors in the upstream and downstream value chain. On an international level, the United Nations and the OECD have created a standardized framework which is already being implemented by leading companies. Some countries, such as France and Germany, have incorporated the topic into national legislation. Switzerland partially

followed suit in 2022 with the adoption of the counterproposal to the "Responsible Business Initiative" ("Konzernverantwortungsinitiative"). Despite this, we do not see any published guidelines for 57% of Swiss companies (Inrate universe), only 21% report having carried out an impact assessment and 17 targets are still open for companies in the Full Engagement universe.

Materiality

Not only since the collapse of the Rana Plaza factory building in Bangladesh in 2013, in which 1134 workers lost their lives, have we understood that the way of doing business within a company, but especially in the interaction in a value chain, has a massive influence on the protection of human rights worldwide.

Human rights due diligence can mitigate risks such as reputational damage caused by media reports or even fines triggered by court decisions. This risk management tends to reduce the cost of capital. This enables companies to meet the requirements of all stakeholders without neglecting the interests of shareholders.

Development 2023

In 2023, dialogues around this key topic were held with 12 companies. In addition, this topic was addressed in seven Light Engagements. With an average of 3.3 out of 5 points, companies scored averagely on this topic this season. This is also due to the fact that the topic was no longer addressed in two Full Engagements, as the Engagement target had already been reached by those two companies in previous years.

We witnessed an interesting difference in this topic's KPIs this year. Ten of the twelve companies had implemented a convincing human rights policy and governance (total 36/44), whereas only two of the twelve had carried out a comprehensive human rights impact assessment as recommended by the OECD (total 12/44). Furthermore, it is a challenge for companies to report consistently and comprehensively on the effectiveness of measures

and remediation mechanisms on identified high-risk issues (average 2023: 2.8/5). This is likely related to the finding that most companies are not aware of their specific high-risk issues as they have not conducted a comprehensive human rights impact assessment.

Despite ever-increasing pressure from legislators around the world, we have seen comparatively little progress on this topic this year. Seven milestones and one goal were achieved. We noted the latter at ABB through the implementation of a convincing human rights due diligence system. Overall, however, we can observe a positive development (Figure 13). On average, companies scored 3.2 points in the first assessment and 4.0 out of 5 after the third Full Engagement.

Overview Human Rights Due Diligence

Status overview

Ø Total Score 2023	3.3 of 5
Milestones reached 2023	7
Objectives reached 2023	1
Objectives reached total	3
Objectives not reached yet	17

Milestone definition



Policy Commitment and Governance

Human rights are a material issue, responsibilities are clear and there is a guideline for dealing with human rights



Human Rights Impact Assessment

The company states that it conducts a Human Rights Impact Assessment and discloses further information



Actions to Mitigate and Avoid Impacts

The company pursues a systematic approach to mitigate and avoid the effects and implements various measures



Monitoring & Reporting

The company conducts internal/ external audits on the topic of human rights in the operations or in the supply chain, there is monitoring with regular status updates



External Verification

The reporting of sustainable products and services are verified by a third-party verification company

Example 2023

ABB

We have already contacted ABB three times on this topic. 2019, 2020 and 2023 as part of Full Engagements. Already in 2019, ABB was not in a bad shape with a corresponding guideline, governance and risk management in the supply chain. What we could not yet ascertain according to the OECD Guideline was the consideration of the company's own business activities. In 2023, we found that ABB conducted a comprehensive (own business activities and supply

chain) and global Human Rights Impact Assessment. The approach and methodology were clearly described and the corresponding major risks were published. A number of measures and programs are already being implemented to mitigate these risks. Examples include human rights training, supplier programs and audits or mandatory human rights checks in the assessment of major ABB projects. Further measures are to be identified and addressed in the course of this year.

Psychosocial Risks at Work

Brief Description

In this key topic, we focus on the mental well-being of employees, which can lead to health impairments due to mental stress. The topic not only has social causes and consequences, but also affects interaction in the workplace. Psychological or personal risks relate to phenomena such as stress, monotony, burn-out, bore-out and presenteeism. The social component includes group-related risks,

which can manifest themselves through bullying, bossing, sexual harassment, or violence. While the former is more related to the individual's personality structure, the latter requires at least two people to be involved. Until 2019, the thematic focus was only on the phenomenon of presenteeism. Since 2020, the topic has been engaged more holistically.

Materiality

According to the Federal Statistical Office's 2022 Swiss Health Survey, the depression rate (moderate, severe) has a worrying average value of 18% (even 29% for 15-24-year-old women). This is an increase of 20% in the last five years. The FOPH states that around 51% of IV pensions are due to psychological reasons and are the most common cause of disability.

Unaddressed psychosocial risks in the workplace can lead to employees losing motivation, retreating

socially, or increasing their consumption of alcohol and/or psychoactive substances. For companies, this can lead to a loss of productivity and higher medical costs. Employees who go to work with depression are less productive over a longer period of time. In Switzerland, the average time between the start of the illness and adequate treatment is 10 years.

Development 2023

In 2023, a dialogue was held with 14 companies on the key topic. It was also addressed in seven Light Engagements. In general, the topic seems to be present within the companies. No company has an overall score of 1 or 2 this year. Absenteeism (average score: 3.7) continues to be tackled significantly more frequently and better than presenteeism (average score: 1.0), although the latter leads to significantly higher long-term costs for companies. Nevertheless, we were able to identify an awareness of the issue among some of the companies. Unfortunately, the companies do not publish any information on how this issue is addressed internally.

This year, 10 milestones were reached. Four companies now explicitly address psychosocial risks in policies and have a corresponding governance and

four companies have implemented programs regarding absenteeism (Health & Safety, Wellbeing, Sport, etc.) and published corresponding externally verified KPIs. Furthermore, two companies now address group-related risks such as bullying, bossing, sexual harassment, or violence in the workplace and publish externally verified information on incidents and the measures and consequences taken.

Overview Psychosocial Risks at Work

Status overview

Ø Total Score 2023	3.1 of 5
Milestones reached 2023	10
Objectives reached 2023	-
Objectives reached total	-
Objectives not reached yet	10

Milestone definition



Policy Commitment

Dealing with psychosocial risks is explicitly mentioned in a guideline and one authority is responsible for the topic



Employee Turnover

Programs implemented, external verification and/or certification of KPI monitoring



Absenteeism

Programs implemented, external verification and/or certification of KPI monitoring



Group Related Risks (Mobbing, Bossing, sexual harassment, violence)

The reporting of sustainable products and services are verified by a third-party verification company



Presenteeism

Programs implemented, external verification and/or certification of KPI monitoring

Example 2023

Landis+Gyr

We have already had two exchanges with Landis+Gyr on this topic. In 2020 and 2023, both in the course of Full Engagements. With regard to policy commitment, we found that this year, compared to 2020, the company is making explicit reference to psychosocial risks by classifying health & safety and employee well-being as material topics. As a result, we found that employees in the Asiapac region are now offered support with psychological issues. We would appreciate it if this offer could soon be

global. We also noted that KPIs on absenteeism were published and externally verified for the first time this year, leading to the achievement of this milestone.

We conveyed to the company that we would welcome improvements on the topic of presenteeism and the reporting of employee turnover rates and incidents of group-related risks.

Competencies in the Board

Brief Description

Investors elect the Board of Directors and therefore have a direct and indirect influence on the corporate governance and strategy of a company. In key topic, we therefore focus on the composition of this body in terms of competencies, thereby broadening the perspective beyond independence and gender diversity. Investors have a serious interest in a Board of Directors that consists of competent and experienced members. Similarly, diversity of skills is important so that the company's challenges can be addressed with insights from different perspectives. Inrate has identified ten measurable competencies to assess boards and their potential skill gaps that apply to most boards:

1. Industry experience
2. CEO experience
3. International experience
4. Experience in emerging markets
5. Financial knowledge
6. Experience in M&A
7. Legal education
8. Experience in digitalization
9. Experience in listed companies
10. Experience in sustainability

Materiality

The Board of Directors plays a decisive role in the long-term success of a company. It acts as a sparring partner for the Executive Board and defines and monitors the strategy and the company's long-term priorities. It therefore has a decisive influence

on the direction of the company in terms of its risk profile and competitiveness, as well as its business activities and impact on the environment and society.

Development 2023

In 2023, discussions were held with 13 companies on this key topic. We also explicitly mentioned it in 31 Light Engagement and in all Light Engagements (zRating). Out of all key topics, the most milestones were achieved this year for *Competencies in the Board* (17).

Compared to the prior year, the overall score of this key topic decreased due to the addition of the competence experience in sustainability. According to Inrate's Corporate Governance study (zRating) 2023, *Experience in Sustainability* is missing in around 80 % of Swiss Boards. Apart from this

missing competence, gaps in competencies continue to be closed. As in prior year, Swiss listed Boards often lack experience in *Digitalization*, *Experience in Emerging Markets*, and *Legal Knowledge*.

The annual report increasingly discloses which competencies are important for the corporate strategy and which competencies the individual members contribute (sometimes also as a matrix).

At Novartis, Swisscom and UBS, the target was achieved with 5 points, meaning that all milestones were reached.

Overview Competencies in the Board

Status overview

Ø Total Score 2023	3.2 of 5
Milestones reached 2023	17
Objectives reached 2023	1
Objectives reached total	5
Objectives not reached yet	16

Milestone definition



Availability of competencies

All competencies are available



Self-assessment

Mention & description



Alignment with strategy

Mention of important competencies in invitation/CV & individual competencies/matrix available



Renewal process

Mention & term limit



Balanced composition

Below 0.8 according to Herfindahl-Index

Example 2023

Georg Fischer

We last conducted a Full Engagement with Georg Fischer in 2020. At that time, Georg Fischer achieved a mediocre rating across all KPIs.

Among other things, there was a lack of digitalization competencies in the Board and the competencies of the individual members and alignment with the corporate strategy were not evident. Although a self-assessment of the Board of Directors was carried out, details were missing and there was no term limit.

As part of the Full Engagement 2023, Inrate observed that the competence gap mentioned had been closed and that the new competence experi-

ence in sustainability was also covered. In addition, it is disclosed which competencies are important for Georg Fischer's strategy and a competency matrix is also disclosed. Only the balance of competencies can still be improved by Georg Fischer. The process of self-assessment is now described and a term limit (max. 12 years) has been established. This enables a functioning renewal process.

Georg Fischer has thus achieved the engagement target for the key topic competencies in the Board.

ESG Criteria in the Compensation System

Brief Description

Incentives can influence the behavior of employees and managers. Corporate decisions should take Environmental, Social, and Governance impacts into account. Bonuses should therefore not only be linked to the achievement of key financial figures, but also to sustainability targets.

An increasing number of investors are paying attention to sustainability in their investment decisions and more and more companies are incorporating sustainability issues into their strategy. An effective instrument for

implementing such strategies is the design of remuneration systems. It can also be used to publicly underline sustainability efforts. The consideration of ESG criteria for bonuses in remuneration systems can have a leverage effect on the integration of sustainability in companies. In this context, it is important that ESG targets are relevant to the company and that the targets and target achievement are measurable, transparent and comprehensibly aligned with the corporate strategy.

Materiality

ESG-criteria in the compensation system can create incentives for managers to pursue sustainability priorities. These should be conducive to the long-term value creation of the company. On the other hand, the company's impact on the environment

and society can be influenced. Examples include compliance with targets in line with the Paris Climate Agreement, the promotion of employee health, or further training opportunities for the workforce.

Development 2023

In 2023, discussions were held with 13 companies about this key topic. We also explicitly mentioned it in 31 Light Engagements and in all Light Engagements (zRating).

Since last year, all SMI companies have established ESG-criteria for their bonuses. Unfortunately, the target is often still vague (e.g., employee management) and the measurability and disclosure of target achievement leaves much to be desired.

Lonza, the chemical and pharmaceutical company, was one of the companies that could reach the Engagement target this year for the key topic *ESG-Criteria in the Compensation System*.

Overview ESG Criteria in the Compensation System

Status overview

Ø Total Score 2023	5 of 5
Milestones reached 2023	12
Objectives reached 2023	1
Objectives reached total	2
Objectives not reached yet	17

Milestone definition



Implementation

Mention and measurability



Transparency

Rating according to low, medium or high



Relevance

All material topics are or the criterion relates to a core concern of sustainable business activities



Comprehensibility

Rating according to low, medium or high



Long-term orientation

Long-term & minimum shareholding requirements

Example 2023

Landis+Gyr

Landis+Gyr, the global provider of energy management solutions, achieved a high rating for the long-term focus of its remuneration model and its comprehensibility as part of the full engagement in 2020. In contrast, no ESG-criteria was relevant for the variable remuneration of the Executive Board.

The ESG KPIs are also relevant, as material topics such as sustainable products or CO2 reduction targets are covered. In contrast, the inclusion of many ESG-criteria meant that the comprehensibility of the remuneration system suffered due to the high number of targets.

At Landis+Gyr, ESG-criteria now account for 20 % of the target figures in the short-term incentive plan and all of the seven defined KPIs are measurable.

Corporate Governance Assessment («zRating»)

Brief Description

Inrate has created an evaluation model for a holistic assessment of corporate governance. The model comprises 68 quantitative and qualitative criteria with weightings of between 1 and 6 points, which are listed, defined and interpreted in a criteria catalogue. The criteria are divided into five categories. The list of criteria is based on the principles of proper corporate governance, legal

principles and self-regulatory instruments. Each criterion represents a valid indicator with which a given situation can be assessed directly and as transparently as possible. The quality of corporate governance can be measured on a scale from 0 to 100 points. Data sources are the current articles of association, annual reports, and AGM resolutions.

Materiality

The quality of corporate governance is a success factor for the long-term value creation of a company. The participation rights of shareholders, the composition of the Board of Directors, or the

structure of the remuneration system can also have an impact on the ecological or social footprint of a company.

Development 2023

In 2023, discussions were held with a total of 105 companies on this key topic (15 as part of the Full Engagement and 31 as part of a Light Engagement).

Sustainability becomes an increasingly important topic as far as Corporate Governance is concerned. The ESG criterion in the remuneration system has also become much more widespread. ESG is now relevant to bonuses at 49 % of companies (17 % in 2019, the year it was introduced). While in 2021 and 2022 only 12 and 16 companies respectively had long-term, sustainable value creation as a purpose in their articles of association, by 2023 this figure had risen to 57 companies (+41 companies).

Overall, Kardex (+9 points) and Flughafen Zürich (+9 points) improved the most. Kardex conducted a

partial revision of its Articles of Association (deletion of opting-up clause and anchoring of sustainable value creation) and improved further aspects. Flughafen Zürich stood out positively due to many improvements in their Board composition and working methods. For example, the competence gap could be closed, and the cumulative meeting duration has been increased.

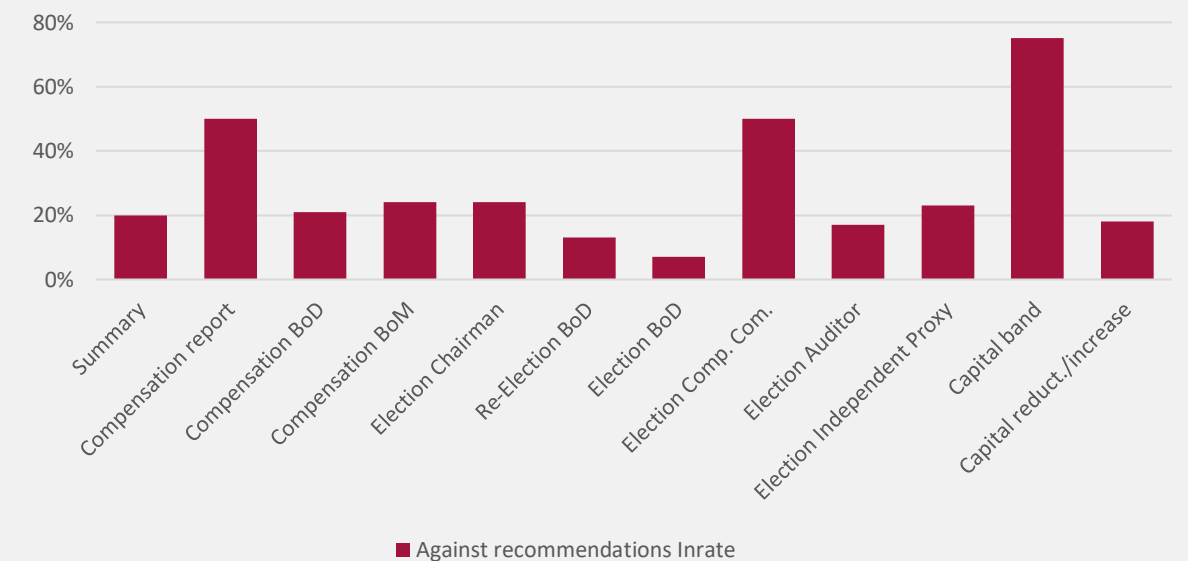
Rejected Agenda Items

Inrate submitted a total of 3'836 voting recommendations this year. Of these, 19.9 % were rejected. This is a similar figure to previous years. The votes on the creation of a capital band were most frequently rejected by Inrate (around 75 %). This was followed by remuneration reports with a rejection rate of 50.4 %. Since 2020, a remuneration report can be rejected by Inrate if the assessment of category 4 *Compensation and Participation Model* is below 10 points.

Since 2019, we have also rejected members of the compensation committee if the companies have not improved in terms of remuneration over the years. This also explains the high rejection rate of 50.4 % in the elections of the compensation committee.

We drew companies' attention to these rejected applications for 15 Full Engagements, 31 Light Engagements and 105 Light Engagements (zRating). We did not reject any applications for 13 of a total of 169 companies (e.g., Accelleron, VAT Group).

Figure 14: Rejections of Inrate by agenda item category



Controversies

Inrate has a methodology for systematically and consistently recording controversial business practices (for more information, see Engagement Policy). After an extensive exchange with Lonza regarding the nitrous oxide affair that took place in the 2021 engagement season, there were no new exceptionally large cases, similar to that season.

Controversies were raised at a total of four companies. All in the course of Light Engagements. The companies responded to the questions satisfactorily. Details can be found in our online tool.



Outlook

There will be no fundamental changes to the selection of topics in the coming Engagement season. As can be seen from the overview of topics, there appears to be considerable potential for improvement in all key topics. Furthermore, the implementation of the required topics takes time. Longer-term sustained contact on the same issues increases the likelihood of getting through to decision-makers.

One trend in engagement is to become increasingly collaborative in order to pool resources and tackle mostly similar goals more effectively and intensively. Inrate is taking this into account and is currently working with partners to establish an engagement pool by 2024 that will address global companies.

The Federal Council's commentary on "green-washing prevention" in the financial sector and the "Swiss Stewardship Code" increasingly address the topic of "escalation strategies" in engagement. Inrate supports its members in this process by providing relevant data and information. This will be simplified by the launch of the new online tool. However, we will be reviewing our offering in this regard again in the coming year in order to exploit any potential for improvement.

Appendix: Focus Company Universe

In the last five years, a “Full Engagement” was conducted with 47 companies (see Table 3; Sunrise and Credit Suisse were deleted). The “Standard” and “Exclusive” members of the Responsible Shareholder Group can monitor the progress of the engagement in detail in their electronic customer account at zrating.inrate.com.

Table 3: Focus Company Universe

Company	Index	2023	Company	Index	2023	Company	Index	2023
ABB	SMI	Full	Geberit	SMI	Light	Roche	SMI	Light
Adecco	SMIM	Light	Georg Fischer	SMI	Full	SGS	SMIM	
Alcon	SMI	Full	Givaudan	SMI	Light	Siegfried	Ex SMI Expanded	Light
Arbonia	Ex SMI Expanded	Light	HIAG Immobilien	Ex SMI Expanded	Light	Sika	SMI	Light
Bachem	SMIM	Light	Holcim	SMI	Light	Stadler Rail	Ex SMI Expanded	Light
Baloise	SMIM	Full	Implenia	Ex SMI Expanded	Full	Swatch Group	SMIM	Light
Barry Callebaut	SMIM	Full (New)	Interroll	Ex SMI Expanded	Light	Swiss Life	SMI	Full
Belimo	SMIM	Light	Julius Bär	SMI	Light	Swiss Re	SMI	Full
BKW	Ex SMI Expanded	Light	Komax	Ex SMI Expanded	Light	Swisscom	SMI	Light
Bossard	Ex SMI Expanded	Light	Landis+Gyr	Ex SMI Expanded	Full	u-blox	Ex SMI Expanded	Light
Bystronic	Ex SMI Expanded	Full (New)	Lonza Group	SMI	Full	UBS	SMI	Light
Calida	Ex SMI Expanded		Nestlé	SMI	Full	Vontobel	Ex SMI Expanded	Light
Clariant	SMIM	Light	Novartis	SMI	Light	VZ Holding	Ex SMI Expanded	Light
Emmi	Ex SMI Expanded	Full	Partners Group	SMI	Light	Zehnder	Ex SMI Expanded	Full (new)
Galenica	SMIM		PSP Swiss Property	SMI	Light	Zurich Insurance Group	SMI	Light

Appendix: Reporting Guidelines

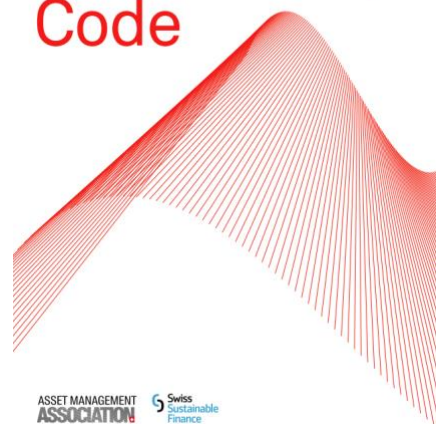
Table 4: Reference to Swiss Stewardship Code 2023

Principle and description	Inrate Reference
<p>Principle 1: Governance</p> <p>Consistent with their fiduciary duty to clients, investors and service providers integrate stewardship into their investment management and/or working models with the objective of creating long-term value for clients and other stakeholders. Board leadership, appropriate oversight as well as regular review of governance practices are essential.</p>	<p>Inrate Participants, p. 9</p> <p>Team & Governance, Engagement Policy, p. 2</p>
<p>Principle 2: Stewardship Policies</p> <p>Investors and service providers develop effective stewardship policies which reflect the principles for effective stewardship and are aligned with their goals and values.</p>	<p>Engagement Policy</p>
<p>Principle 3: Voting</p>	<p>Not applicable</p>
<p>Principle 4: Engagement/ Individual Engagement</p> <p>Investors and service providers engage in an active dialogue with investee entities with the aim of generating long-term financial and societal value and of reaching positive and long-term sustainable outcomes. Where necessary, investors collaborate with other investors to increase engagement outcomes. Other stakeholders may be a partner in collaborative engagements as they provide know-how, research and in some cases also specific administrative services to asset managers and asset owners. Where possible and relevant, investors should aim at engaging directly or indirectly in an active dialogue with relevant public stakeholders and policymakers on issues that affect sustainable investment.</p>	<p>Engagement Approach and Process & Engagement Activities, p. 7-11</p> <p>Definition KPIs and expected outcomes, p. 14-21</p> <p>Definition engaged investee companies, Engagement Policy, p. 6</p> <p>Definition methods of engagement, p.10-11 & Engagement Policy, p.3-4</p> <p>Definition engagement topics, Engagement Policy, p.4</p> <p>With whom do we engage at investee company, p.10</p>
<p>Principle 5: Escalation</p> <p>Investors and service providers, where necessary, escalate their stewardship activities to encourage investee entities towards generating long-term financial, environmental and societal value and towards reaching positive and long-term sustainable outcomes.</p>	<p>Escalation strategy, Engagement Policy, p. 6</p>

Appendix: Overview of Embedding Engagement Topics in Inrate's Product Portfolio

<p>Principle 6: Monitoring of Investee Entities</p> <p>Investors and service providers regularly monitor investee entities to track, assess and review the effectiveness of their stewardship activities.</p>	<p>Inrate considers latest public available information, data and information of our internal resources (yearly updated ESG Impact Rating and related data and yearly updated Corporate Governance Rating ("zRating") to prepare for the engagement exchanges.</p> <p>Focus companies (see p. 23) are monitored and contacted on a yearly basis as part of Inrate's engagement activities. In case of</p>
<p>Principle 7: Delegation of Stewardship Activities</p>	<p>Not applicable for Inrate as service provider.</p>
<p>Principle 8: Conflicts of Interest</p> <p>Investors and service providers manage conflicts of interest in the best interests of their clients. They assess their investment activities and the interests of their clients to detect and suitably handle actual or potential conflicts of interest, disclosing these conflicts along with the measures taken to mitigate them.</p>	<p>Conflict of Interest, Engagement Policy p. 2</p>
<p>Principle 9: Transparency and Reporting</p> <p>Investors and service providers disclose and report their stewardship policies and activities to their clients and beneficiaries in a way that demonstrates effective fulfilment of their duties.</p>	<p>Transparency and reporting, Engagement Policy p. 3</p>

Swiss Stewardship Code



ASSET MANAGEMENT ASSOCIATION Swiss Sustainable Finance

Table 5: Links between key topics and references to other Inrate services

Reference Key Topics	ESG Impact Rating	zRating Criteria	SDG Goals
Scope 3 Emissions	8 Indicators	<ul style="list-style-type: none"> 4.12 ESG-criteria in the compensation system 5.1 ESG Impact Rating 5.4 Information about CO2-targets 	<ul style="list-style-type: none"> Goal 13: Climate Action Goal 14: Life below Water Goal 15: Life on Land
Sustainable Products and Services	14 Indicators	<ul style="list-style-type: none"> 4.12 ESG-criteria in the compensation system 5.1 ESG Impact Rating 	<ul style="list-style-type: none"> Goal 6: Clean Water and Sanitation Goal 9: Industry, Innovation and Infrastructure Goal 12: Responsible Consumption and Production Goal 14: Life below Water Goal 15: Life on Land
Biodiversity	5 Indicators	<ul style="list-style-type: none"> 5.1 ESG Impact Rating 	<ul style="list-style-type: none"> Goal 14: Life below Water Goal 15: Life on Land
Human Rights Due Diligence	17 Indicators	<ul style="list-style-type: none"> 4.12 ESG-criteria in the compensation system 5.1 ESG Impact Rating 5.2 Involvement in controversies 5.3 Directive on human rights 	<ul style="list-style-type: none"> Goal 3: Good Health and Well-being Goal 4: Quality Education Goal 5: Gender Equality Goal 8: Decent Work and Economic Growth Goal 10: Reduced Inequality Goal 16: Peace, Justice and Strong Institutions
Psychosocial Risks at Work	13 Indicators	<ul style="list-style-type: none"> 4.12 ESG-criteria in the compensation system 5.1 ESG Impact Rating 5.7 Whistle-blower reporting office 	<ul style="list-style-type: none"> Goal 3: Good Health and Well-being Goal 16: Peace, Justice and Strong Institutions
Competencies in the Board	-	<ul style="list-style-type: none"> 3.2 Competencies in the Board of Directors 3.13 Self-evaluation of the Board of Directors 3.14 Term limits for the Board of Directors (new criteria for 2024) 	<ul style="list-style-type: none"> Goal 17: Partnership for the Goals
ESG Criteria in the Compensation System	1 Indicators	<ul style="list-style-type: none"> 4.12 ESG-criteria in the compensation system 4.13 Minimum shareholding requirements 4.14 Long-term orientation of the compensation system 4.16 Transparency 4.17 Comprehensibility 	<ul style="list-style-type: none"> Goal 12: Responsible Consumption and Production



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