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Sustainability-related disclosures

Website product disclosure for financial products that promote environmental or social characteristics

Credit Suisse Invest Mandate
Direct Equity Strategies

January 2024

This document provides regulatory information in relation to the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR"). The following information is required to be disclosed by law and does not constitute marketing material.

This document applies to all Direct Equity Strategies mandate types, risk profiles, reference currencies and the chosen investment strategy.

A. Summary

Sustainable investing is the process of taking into account environmental, social and governance factors (“ESG factors”) in investment decisions.

Credit Suisse[1] designs solutions that aim to generate market rate or higher returns by adding ESG factors to allow for better-informed investment decisions, while also reflecting clients’ personal values and considering the long-term externalities of their portfolios.

The Direct Equity Strategies Mandate (also referred to as “this financial product”) integrates environmental, social, and governance (ESG) factors in the investment decision-making process (ESG integration). It avoids harmful investments through business-conduct, norms-based, and values-based exclusions (ESG Exclusions).
In addition to avoiding harmful investments, Direct Equity Strategies integrates sustainability in the investment process. The integration is focused on a combination of environmental, and social characteristics and risks regarded as highly relevant for Direct Equity Strategies investing in large, established companies domiciled in developed economies. These characteristics include (but are not limited to) carbon intensity, environmental and social controversies.

ESG Exclusions[2]
The primary purpose of these strategies is to provide clients with investments that do not cause harm or align with their values. This means excluding firms or sectors that produce controversial products such as tobacco, gambling, or weapons manufacturing, or excluding companies that violate international norms.

ESG Integration[2]
These strategies integrate material ESG factors into investment processes for delivering superior risk-adjusted returns while fostering social and environmental progress. Catalysed by the launch of the UN Principles for Responsible Investment (UN PRI) in 2006, ESG integration focuses on how risk and opportunity around environmental issues, human rights, corporate governance and other issues can be material to the financial prospects of companies. It is applied most explicitly in active management, where ESG issues, risks and opportunities, market ratings etc. are assessed explicitly alongside the fundamental analysis of a company.

The different investment strategies of the Direct Equity Strategies are mainly based on differing investment styles and/or regional boundaries to meet the client’s individual preferences. The integration of ESG criteria in the selection and construction process of all Direct Equity Strategies is applied using the same standards. The investment managers are continuously monitoring ESG factors as an integral part of the management of the Direct Equity Strategies using internal as well as external research and data providers in order to assess investment opportunities and existing investments alike.

[1] The terms “Credit Suisse”, “CS” or “the Bank” used in this document refer to the Credit Suisse Group AG, Credit Suisse AG and Credit Suisse (Switzerland) Ltd., unless defined otherwise.
[2] For more details, please see Credit Suisse Sustainable Investment Framework.

B. No sustainable investment objective

This financial product promotes environmental and social characteristics, but does not have as its objective sustainable investment.

C. Environmental or social characteristics of the financial product

The Direct Equity Strategies Mandate (also referred to as “this financial product”) integrates environmental, social and governance (ESG) factors in the investment decision-making process (ESG integration). It avoids harmful investments through business-conduct, norms-based and values-based exclusions (ESG Exclusions). The primary purpose of the ESG Exclusions strategies is to exclude investments that violate international treaties (such as United Nations Global Compact Principles), exclude investments may have a negative impact on society and/or the environment. Companies may be excluded based on their revenue derived from controversial activities such as controversial and conventional weapons, thermal coal or tobacco production, or based on business conduct violating the UN Global Compact Principles.

In addition to avoiding harmful investments, Direct Equity Strategies integrates sustainability in the investment process. The integration is focused on a combination of environmental, and social characteristics and risks regarded as highly relevant for Direct Equity Strategies investing in large, established companies domiciled in developed economies. These characteristics include (but are not limited to) carbon intensity, environmental and social controversies.

It does not use a reference benchmark for the purpose of attaining the environmental and social characteristics.

D. Investment strategy

The different investment strategies of the Direct Equity Strategies, European Dividend Value, Global Dividend Value, Global Growth Opportunities, and Selection Suisse follow the same ESG Integration process and are mainly based on differing investment styles and/or regional boundaries to meet the client’s individual preference. The integration of ESG criteria in the selection and construction process of all Direct Equity Strategies is applied using the same standards. The investment managers are continuously monitoring ESG factors as an integral part of the management of the Direct Equity Strategies using internal as well as external research and data providers in order to assess investment opportunities and existing investments alike.

The investment process can be described as follows:

- Firstly, the initial investment universe is composed of the established companies from developed European countries.

- Secondly, the screened investment universe is derived by applying the Credit Suisse ESG Exclusions (no investment in companies violating norms, values, and business conduct standards of Credit Suisse).
- Thirdly, the customized ESG scores are calculated and the investment universe is split in top, medium and low scored companies. Low scored companies are automatically excluded from the opportunity set.
- Next, the top and medium scored companies are analysed by evaluating the qualitative and quantitative ESG related risks based on the proprietary materiality framework and specific investment criteria.
- In the final step, the portfolio is constructed based on the Investment Manager's strongest convictions both from a fundamental and ESG perspective.

All investments must meet the below ESG Exclusions criteria and an additional ESG Integration process applies:

ESG Exclusions:

■ Norms-based exclusions, excluding companies that violate international treaties on controversial weapons, such as
- The Convention on Cluster Munitions
- The Chemical Weapons Convention
- The Biological Weapons Convention
- The Treaty on the Non-Proliferation of Nuclear Weapons

■ Values- based exclusions, excluding companies whose activities have a negative impact on society and/or the environment. Exclusion thresholds are based on the specific exposure level (typically 5% for producers). Industries covered include:
- Tobacco, gambling[3], adult entertainment
- Thermal Coal (>20%). Apart from thermal coal, the framework does not systematically exclude fossil fuels, as climate transition will require a varied energy mix over the next few decades.
- Manufacturers of conventional weapons, civil firearms, and nuclear weapons support systems.

■ Business conduct exclusions, severe cases of controversial business conduct, and particularly of conduct violating the principles of the United Nations Global Compact Principles (UNGC).

ESG Integration:

Credit Suisse as Investment Manager integrates ESG considerations by combining financial information with ESG related considerations at various steps of the investment process:

■ ESG Integrated Research: Credit Suisse as Investment Manager complements traditional research which comprises company business model, ownership structure, financials and valuation with ESG data, own information and sources from data providers to systematically enhance the knowledge on the ESG Factors.

■ Positive Screening: Credit Suisse as Investment Manager selects securities that score favorably within a sector (best-in-class) and across the universe (best-in-universe) with respect to the ESG Factors.

■ Proprietary Scoring: Credit Suisse as Investment Manager translates a set of external metrics and scores as well as company information into a custom ESG view.

■ Adjusted Performance Indicators: Credit Suisse as Investment Manager adjusts security performance indicators for material ESG Factors and keeps track of the ESG factors.

The methodology to assess the good governance of investee companies includes the consideration of business conduct exclusions.
The Bank identifies and assesses controversial business conduct based on data from a number of external ESG data providers, news flows and in-house research. Cases are analyzed according to a systematic approach with pre-defined indicators in order to identify companies in possible breach of such business conduct practices. Companies found to (1) systematically violate international business conduct practices, (2) where the breaches are particularly severe, or (3)

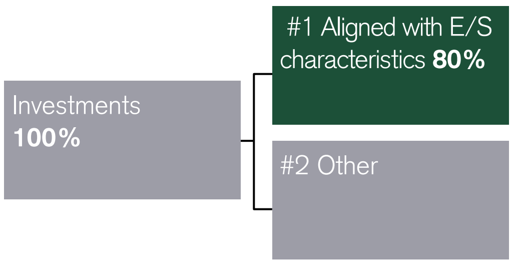
[3] Exposure to gambling in sustainable strategies is permitted under certain safeguards.

where management is not open to implementing the necessary reforms, are closely monitored and if needed excluded from the investment universe.
The good governance practice may not be assessed for investments in securities issued by sovereigns or supranational entities.

E. Proportion of investments

This financial product invests at least 80% of its total net assets in companies that qualify as aligned with environmental and social characteristics (#1 Aligned with E/S characteristics).

For the purpose of this graph, the investments of the financial product are calculated at a company level.



- **#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.
- **#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.
- The category **#1 Aligned with E/S characteristics** covers:
  - The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
  - The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

F. Monitoring of environmental or social characteristics

Credit Suisse Global Investment Management monitors the adherence of the target portfolio to the attainment of environmental and social characteristics promoted by this financial product. Adherence to the defined sustainable investing processes is monitored through controls carried out by the first and the second lines of defense upon the setup as well as during the lifecycle of the financial product. The applicable guidelines are monitored on a pre- and post-trade basis, with the remedial action taken in a timely manner. Furthermore, other ESG-related investment restrictions of this financial product are monitored in accordance with the standard investment restriction control mechanism, including portfolio monitoring.

G. Methodologies for environmental or social characteristics

Credit Suisse uses third-party ESG scores as well as an in-house classification approach to better assess ESG considerations throughout the investment process.

The following indicator is taken into consideration to measure the attainment of the environmental and social characteristics of the Direct Equity Strategies.

- ESG integration:
  - Aiming to achieve a higher ESG score than its Strategic Asset Allocation

The Strategic Asset Allocation (SAA) defines the long term combination of (sub–)asset classes, based on a mix of relevant financial indices. The ESG score for the underlying Strategic Asset Allocation (SAA) is calculated based on the underlying indices. The portfolio ESG score corresponds to the model portfolio allocations on the reporting date and is subject to change over time. Deviations from the allocation of the individual client portfolio are possible.
The ESG Score, which is provided by MSCI ESG Research, is measured on a scale from 0 (very poor) to 10 (very good).
The two scores (ESG score and applied proprietary score) are independent of each other as the methodology in the aggregation differs. The ESG Score of MSCI is a consideration of E, S and G-factors defined by MSCI, whereas the proprietary score is constructed with factors that were selected by the Bank.
As outlined in the description of the target "aiming to achieve a higher ESG score than its SAA", the calculation consists of the aggregation of each ESG score multiplied by the weight in the portfolio to get the ESG score. The aggregated score is compared with the ESG score of the underlying benchmark / SAA components (e.g. Stoxx Europe 50).

H. Data sources and processing

Data for this financial product is sourced from third-party data providers, in combination with Credit Suisse's in-house sustainability and financial analysis. The selection of external sustainability data providers and the underlying research models are carefully analysed by Credit Suisse to anticipate, and, where possible, mitigate limitations in data quality and coverage. The sustainability data is made available to portfolio managers. Where data quality is limited or reporting by companies is not mature, external data providers may use models to provide estimated data points.

I. Limitations to methodologies and data

When possible, this financial product invests in companies that meet the environmental and social characteristics that it promotes. Credit Suisse uses its best efforts to comply with the investment restrictions, however, for certain investments, the Bank may be faced with the limited availability of independent and reliable ESG data. This applies in particular to asset classes for which ESG factors are insufficiently defined at present or which are not yet covered by external data providers. For this purpose, a maximum of 20% of the investment portfolio may be invested in securities of entities or asset classes for which ESG-related information is not available. This threshold is expected to be lowered over time as the availability of ESG investment concepts and ESG research coverage improves. If such investments occur, they are allocated to the category "#2 Other" which includes investments that are neither aligned with environmental or social characteristics, nor qualify as sustainable investments (see "e) Proportion of investments").

J. Due diligence

In order to assess the ESG characteristics of investments, this financial product uses a combination of different data sources to support the due diligence process performed in the investment process. For the active part of the portfolio, ESG factors are integrated throughout the investment process. Upon the setup of the product and during its lifecycle, the effectiveness of the due diligence process is supported by various internal control measures.

K. Engagement policies

While engagement is not promoted by this financial product, Global Investment Management intends to play a transformative role through sound stewardship as part of its fiduciary duty.

L. Designated reference benchmark

This financial product does not use a reference benchmark for the purpose of attaining the environmental or social characteristics.

Review of disclosures

As required in SFDR Art. 12, the following table explains any amendments made to this document.

Date	Section	Explanation of amendments
1st January 2023	All	Initial document created
January 2024	A, C, D and G.	Enhancements of the environmental and social characteristics narrative in section A and C. Enhancements of the description of the investment strategy that this financial product follows in section D. Enhancements of the description of the sustainability indicator in section G.

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CREDIT SUISSE
Part of UBS Group
P.O. Box 100
CH-8070 Zürich
credit-suisse.com