Engagement Report 2024

Responsible Shareholder Group (RSG)

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inrate

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Introduction

Engagement Season 2024

2024 marked another exceptional year for Inrate's Responsible Shareholder Group (RSG). Building on our mission to advance sustainable business practices through active engagement, we celebrated significant milestones that enhanced our services and reinforced our commitment to sustainable stewardship. Notably, we welcomed Thurgauer Kantonalbank as a new member of the RSG, further strengthening our collective efforts.

The year started off with the launch of Inrate's proprietary online tool in January. Designed to meet the evolving needs of our members, this tool offers a centralized platform for tracking engagement activities, accessing insights, and comparing progress against Engagement targets. With expanded reporting functionalities, RSG members can now easily download the required data for reporting in line with Swiss Climate Scores, ASIP, or AMAS guidelines.

Alongside technological advancements, the regulatory and industry landscape in 2024 underwent significant changes that shaped our engagement priorities. In response to the Federal Council's position on the prevention of greenwashing, the Asset Management Association (AMAS), the Swiss Bankers Association (SBA) and the Swiss Insurance Association (SIA) introduced enhanced sustainable finance self-regulations, addressing greenwashing concerns and emphasizing transparency.

The year concluded with AMAS publishing an engagement letter, urging Swiss companies to strengthen governance, adhere to international sustainability standards and support the transition to a low-carbon economy.

These efforts have fostered voluntary investor engagement, with a recent Swiss Sustainable Finance market study revealing that 63% of sustainable investment volumes and 94% of impact-generating investments now incorporate ESG engagement.

Globally, 25 jurisdictions have adopted stewardship codes. In Switzerland, the Swiss Stewardship Code, published in October 2023, serves as a guideline for promoting active shareholder rights among asset managers and financial service providers. We refer to the Swiss Stewardship Code in Table 4.

This year's report not only reflects our activities but also demonstrates the tangible impact of active stewardship. Through more detailed case studies, we aim to highlight key successes in our core engagement areas, such as *Competencies in the Board of Directors*, *Biodiversity*, and *Human Rights*. These efforts underscore the impact of constructive dialogue with companies in driving positive and measurable change. We invite you to explore the highlights, successes, and learnings of this year's engagement activities in the following pages. Continued collaboration and commitment are the driving forces behind our progress, and we look forward to building on this momentum in the years to come.

Glen Boschi
Head of Engagement

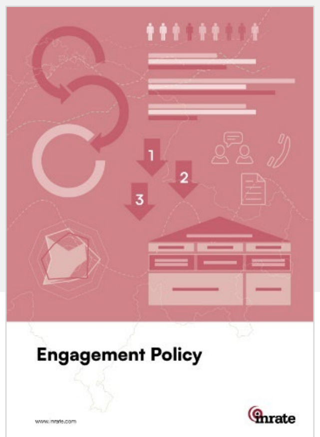
Inrate

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 assess the life cycle impact that a company's products and services 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 through detailed corporate governance research ("zRating") and voting recommendations with a focus on Swiss publicly listed companies. 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 renumeration and electronic remote voting. The annual meeting of the RSG 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 2024: 22.11.2023 — 21.11.2024
- Complementary Documents: Engagement Report 2024 & Engagement Policy
- Guidance: Swiss Stewardship Code 2023



Success Factors of our Engagement Services

Experience
Comprehensive Engagement services since 2006 with almost 800 dialogues since 2015.

Reporting
Client-friendly online platform 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 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

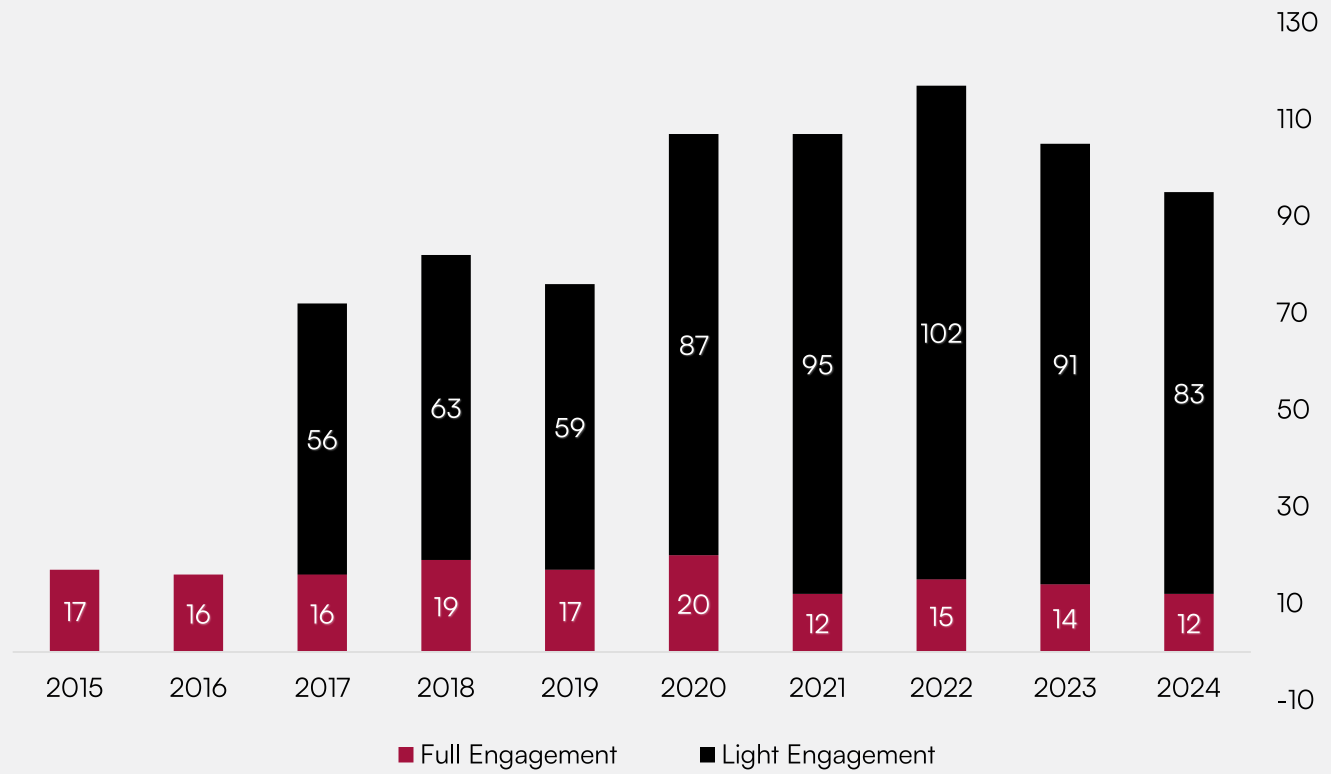
Activities

Overview Contacts

Key Messages

- Overall, the number of Engagements stagnated at a very high level in 2024. While Inrate contacted all 164 companies in our zRating universe, 95 companies actively responded, leading to engagement dialogues.
- The scope and quality of Inrate's Engagements continue to evolve. Environmental and social topics have gained importance, increasing from 20% of all engagement topics in 2020 to 23% in 2024. This shift highlights the growing importance of addressing critical sustainability challenges in engagement dialogues.

Figure 1: Overview Contacts



Progress

Objective Status

Key Messages

- Of the topics repeatedly addressed, we were able to see improvements in 75 KPIs.
- In 9 topics, the improvements led to the achievement of the engagement objectives. Adecco should be particularly highlighted as we were able to observe the achievement of 3 objectives this year.

Historical Development of Topics

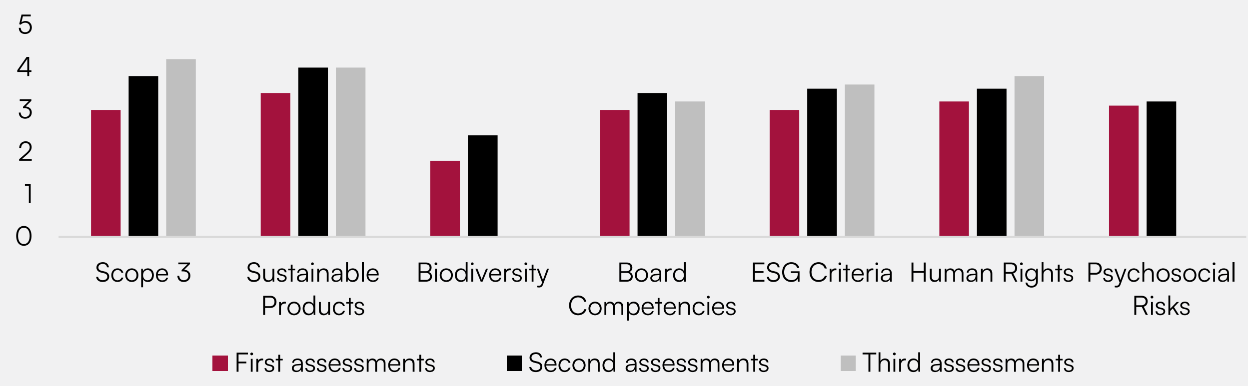
Key Messages

- We recognize the difficulty of the cause-effect mechanism in Engagement. However, Inrate's Engagement efforts are showing measurable results. Engaged companies are demonstrating consistent progress, with *Scope 3 Emissions* and *Human Rights* emerging as key areas of above-average focus and improvement.
- Decline in *Board Competencies* Score: In 2023, we introduced "Sustainability" as a required competency at the board level. Because most companies lack this competency in the board of directors, it has resulted in a lower average topic score.

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.

Figure 3: Historical Development of Topics



Activities

Progress

Full Engagement (Cumulative total: 155)

Light Engagement (Cumulative total: 627)

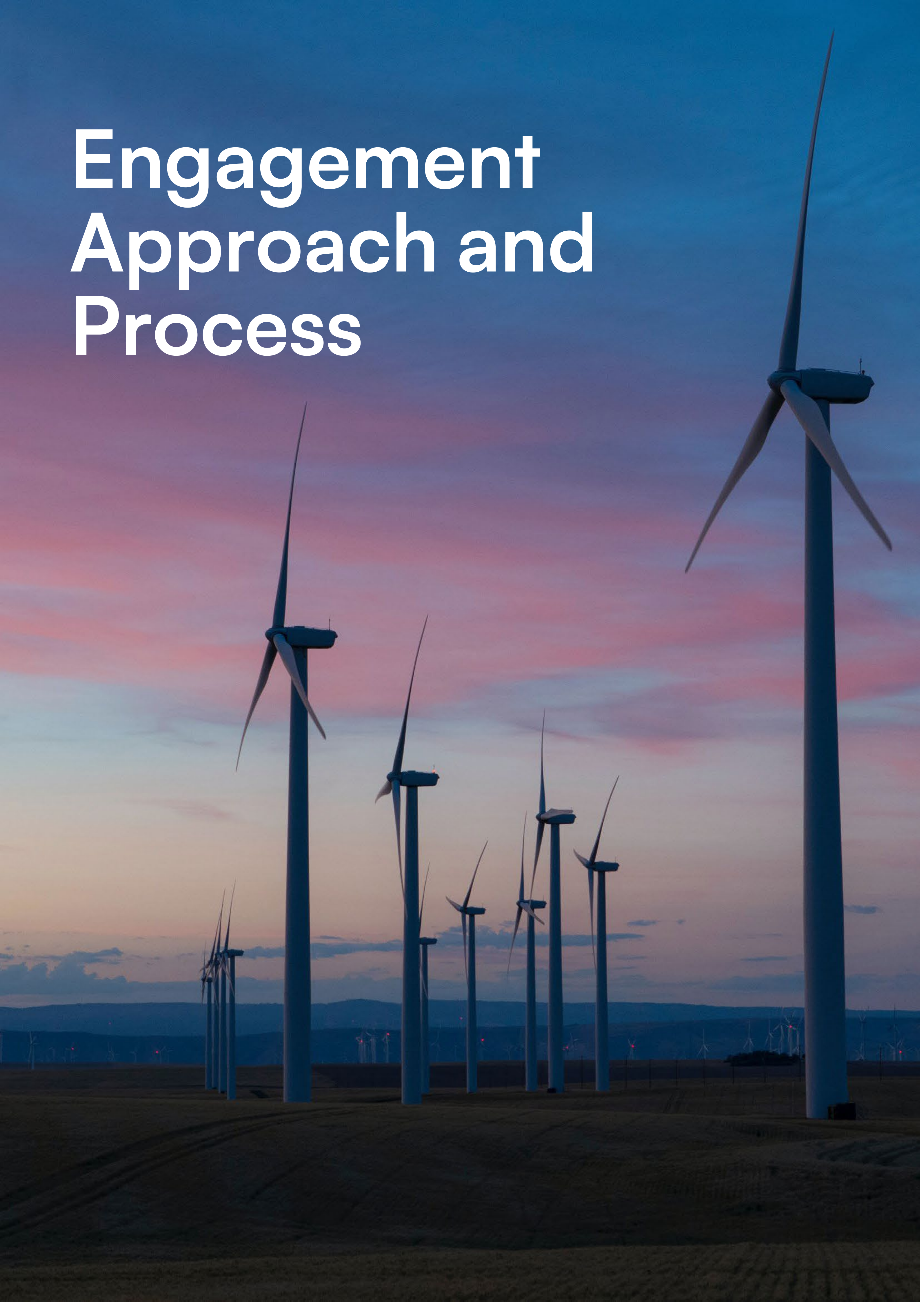
Topics Assessed (Cumulative total: 176)

Objectives Reached (Cumulative total: 31)

Objectives not Reached yet (Cumulative total: 138)

12	83	2024	69	9	59

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 intended 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 2024, 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 CO_2-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 com-panies 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. 15f.

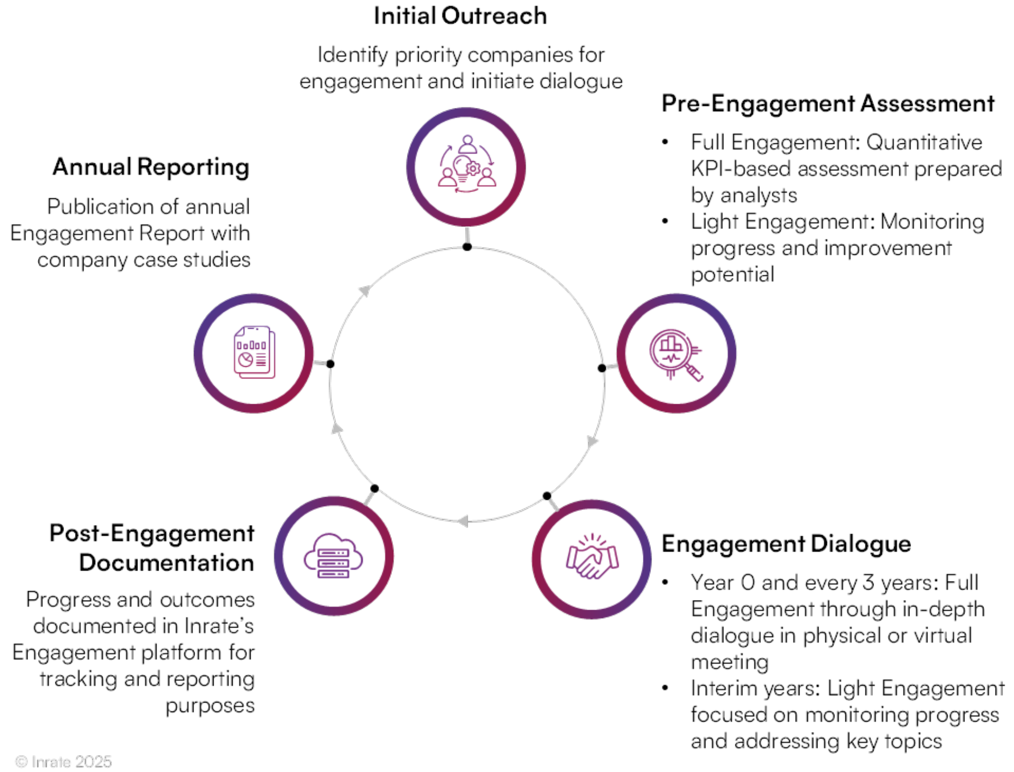
Figure 2: Engagement Cycles

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, on a scale from A+ to D-)
2. Relevance or impact potential of companies (e.g., on the basis of turnover)
3. Preference of RSG members

Engagement Process of the Inrate Responsible Shareholder Group (RSG)



Topic Assessment and Target Setting

For each key topic, one target and five different milestones are defined. 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

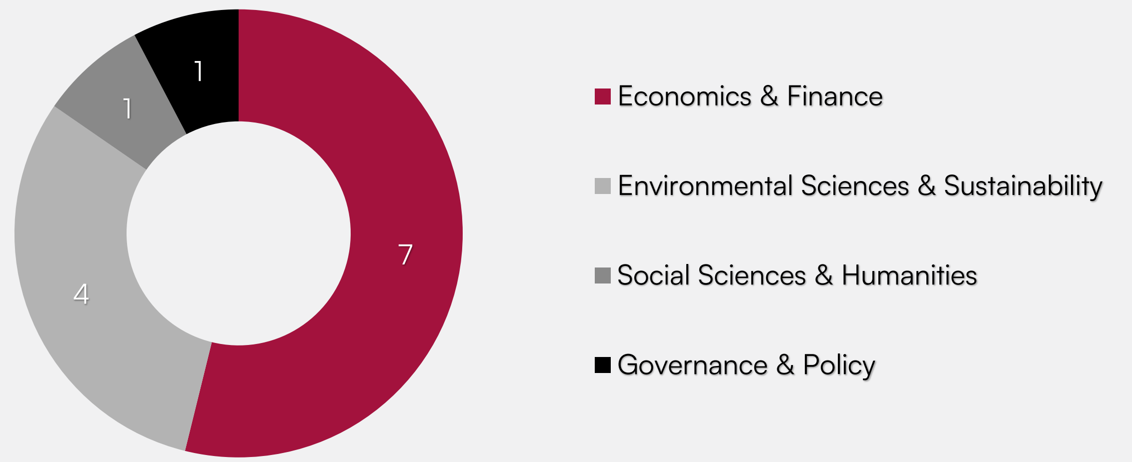
Evaluation of the KPI	
- 5 (Excellent)	
- 3 (Sufficient)	
- 1 (Poor)	

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

Inrate Participants

We act as representatives of the RSG members. In 2024, 13 Inrate team members were involved in our Engagement activities, reflecting a balanced gender distribution of 46% women and 54% men. Our team members have diverse educational backgrounds, ranging from finance, migration studies, sustainable development to environmental sciences, to name a few. This internal diversity fosters a variety of perspectives, enriching our discussions and enabling us to address a wide range of topics.

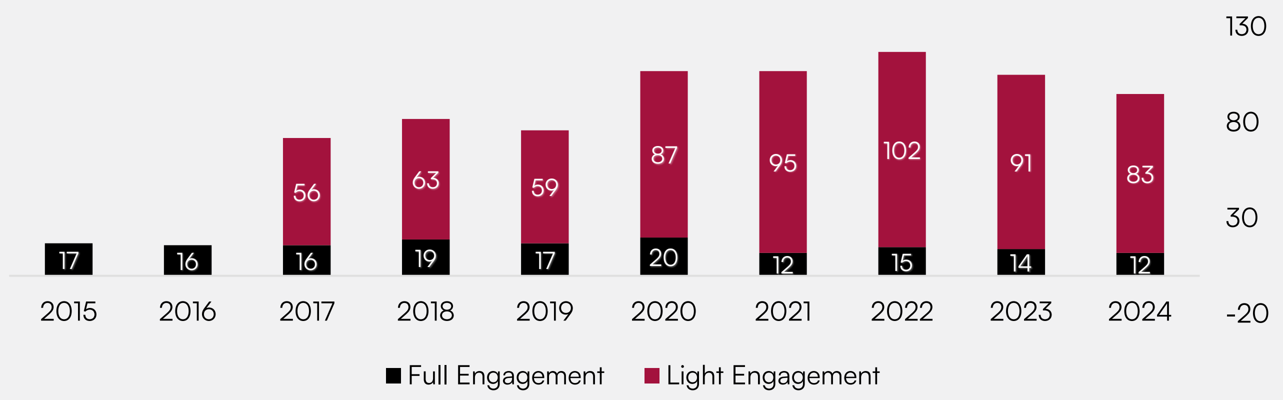
Figure 4: Educational and professional background Inrate Engagement Team



Historical Developments

Engagement activities have visibly increased in recent years (see Figure 5). **In total, there were exchanges with 95 out of 164 companies in our universe this year**. The latter figure corresponds to the companies that we rate based on the corporate governance analyses ("zRating"). We have had contact with 160 companies since 2019 and 165 companies since 2015, with 596 exchanges since 2019. Multiple contacts within an Engagement type are only counted once. This contrasts with other engagement providers, who count every single contact.

Figure 5: Engagements since 2015 by type

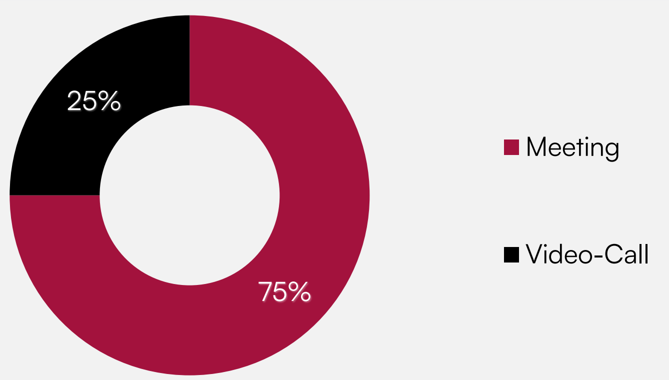


Full Engagements

A Full Engagement typically includes an on-site visit where key topics are addressed based on prior analysis. These discussions also cover controversies and agenda items proposed for rejection at companies' Annual General Meetings are also discussed. The analyses are conducted by Inrate's qualified experts using publicly available information.

The meetings are usually attended by three Inrate representatives specializing in Environmental, Social, and Governance issues. **During the 2024 Engagement Cycle, we conducted Full Engagements with 12 companies, including one company (Valiant) engaged for the first time in this format. This increased the number of focus companies from 45 to 46** (see Table 3). Following the Covid-19 pandemic, the proportion of physical meetings has increased significantly (Figure 6). While 50% of Full Engagements were held in person in the previous year, this share rose to 75% in 2024. Although some companies continue to prefer virtual meetings, these remain effective thanks to the appropriate technology. Inrate, however, prioritizes physical meetings whenever possible to ensure that the "human factor" receives the attention it deserves in these dialogues.

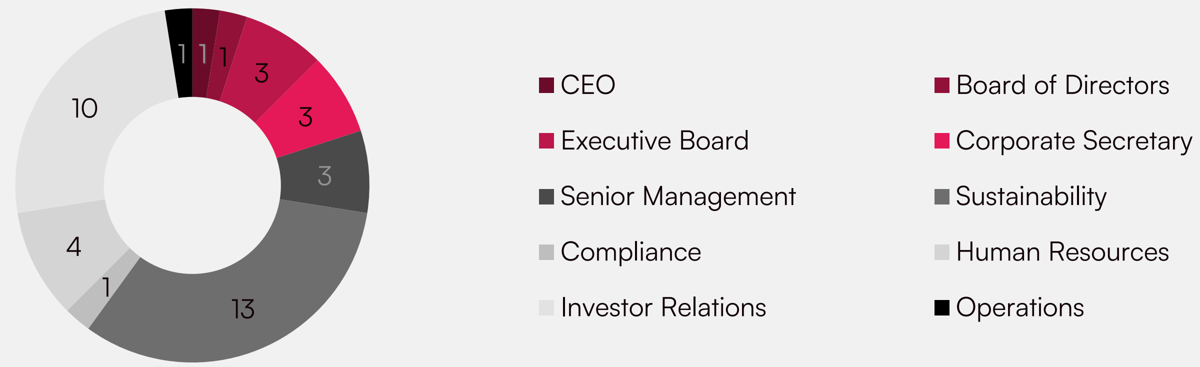
Figure 6: Dialogues Full Engagements



Acting as a pool of shareholders continues to underscore its value, supported by Inrate's established position in the Swiss financial market. This year, 20% of participants on the company side were members of top management (Figure 7). While this is a decrease from 30% in 2023, top-level engagement remains significant, with one CEO attending this year and at least one member of top management or the governing body present in half of the 12 Full Engagements conducted this year. The total number of engagements and participants decreased compared to 2023 (12 engagements with 40 participants in 2024 vs. 14 engagements with 56 participants in 2023).

However, representation from sustainability departments, investor relations, and human resources all increased proportionally, reflecting an enhanced focus on ESG issues and integration into broader corporate functions. The increase in HR representatives may indicate growing interest in social topics, particularly as we observe improvements in areas like employee turnover, engagement, retention, and talent management practices. The continued strong presence of sustainability professionals underlines the companies' dedication to addressing these key topics. While the number of participants per meeting has decreased slightly, the diversity of perspectives and the inclusion of key decision-makers underscore the continued impact of Inrate's engagement activities.

Figure 7: Overview Function Engaged Companies



Our engagement approach continues to center on the key topics of long-term relevance: *Competencies in the Board, ESG Criteria in the Compensation System, Human Rights Due Diligence, Emissions, Sustainable Products and Services*, and *Biodiversity*. This year, with Biodiversity being assessed for the second time for some companies, we gained valuable insights into progress on this topic since its introduction in 2021.

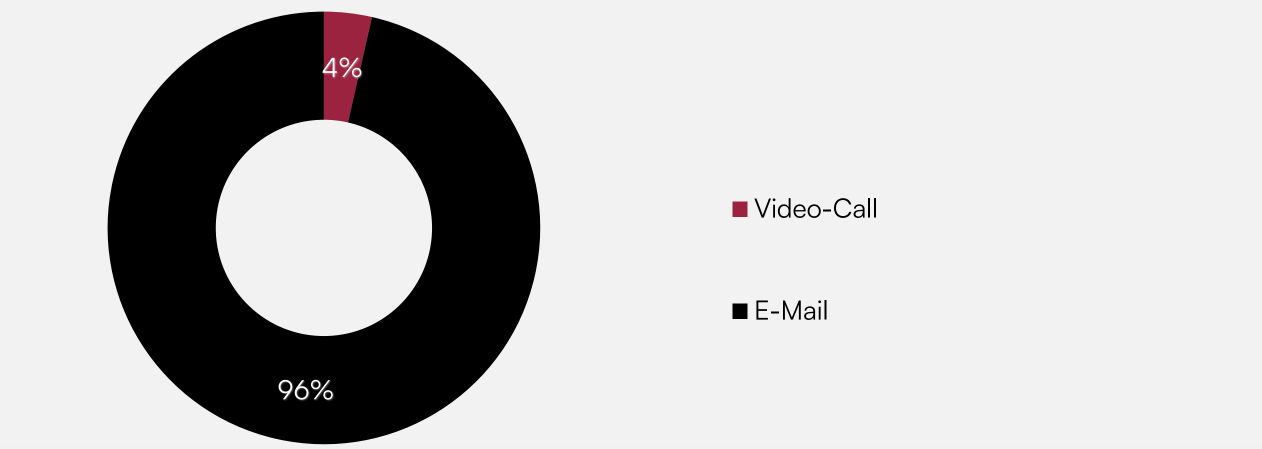
To evaluate progress across these key areas, we assess five KPIs for each topic. Of the 69 key topics addressed repeatedly this year, a total of 345 KPIs were reviewed. **We were pleased to observe improvements in 75 KPIs, with milestones achieved for 52 of these,** indicated by a green rating for one KPI. Additionally, milestones had already been reached for 71 KPIs during previous engagements. However, for 167 KPIs, no change was detected, and for 32, a deterioration was noted. **Overall, we are pleased to note that nine engagement targets were achieved this year.**

Light Engagements

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 this context.

In 2024, 28 companies were contacted as part of a Light Engagement (27 in the previous year). Most of these exchanges were conducted via email, as shown in Figure 8. While we strive to maintain constructive dialogue with all companies, one company, UBS, has communicated its decision to cease engagement dialogues with us going forward. Inrate will continue to make efforts to reach out and maintain communication on relevant ESG topics.

Figure 8: Dialogues Light Engagements



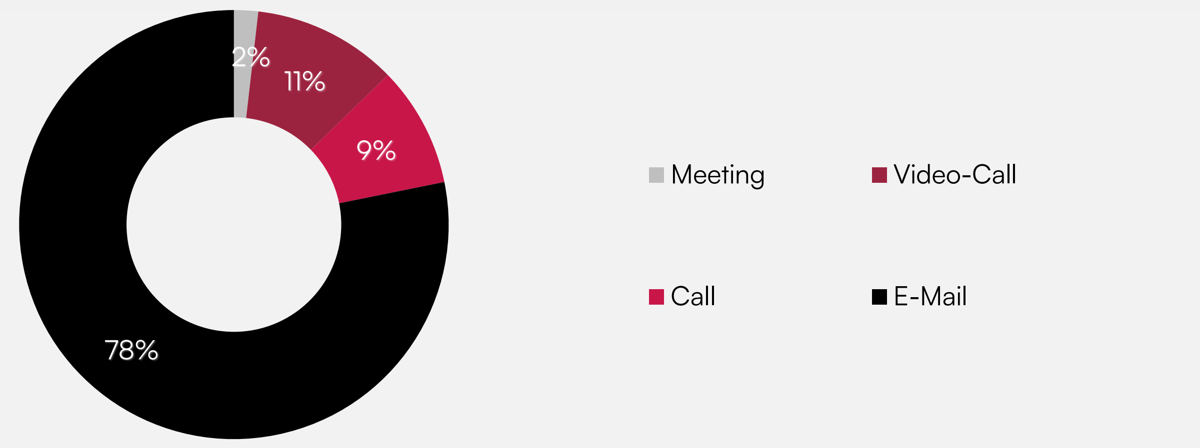
Light Engagements (zRating)

As part of the corporate governance ratings, Inrate conducts a dialogue with companies to ensure quality and achieve improvements in corporate governance.

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 2024, Inrate informed a total of 164 companies about the assessment of their corporate governance. This resulted in 55 dialogues (Figure 9), most of which were conducted via email. 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.

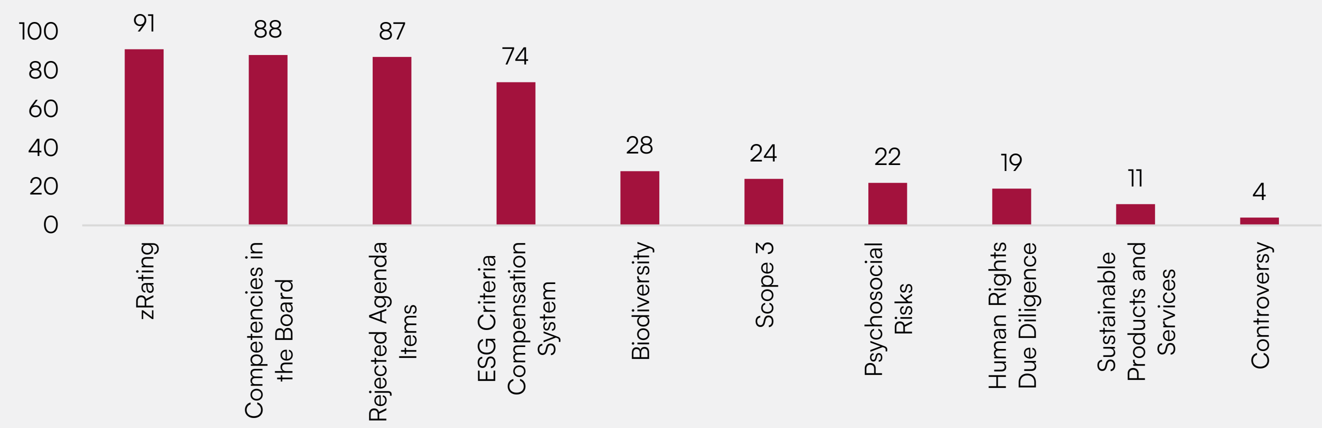
Figure 9: Dialogues Light Engagements (zRating)



Key Topics

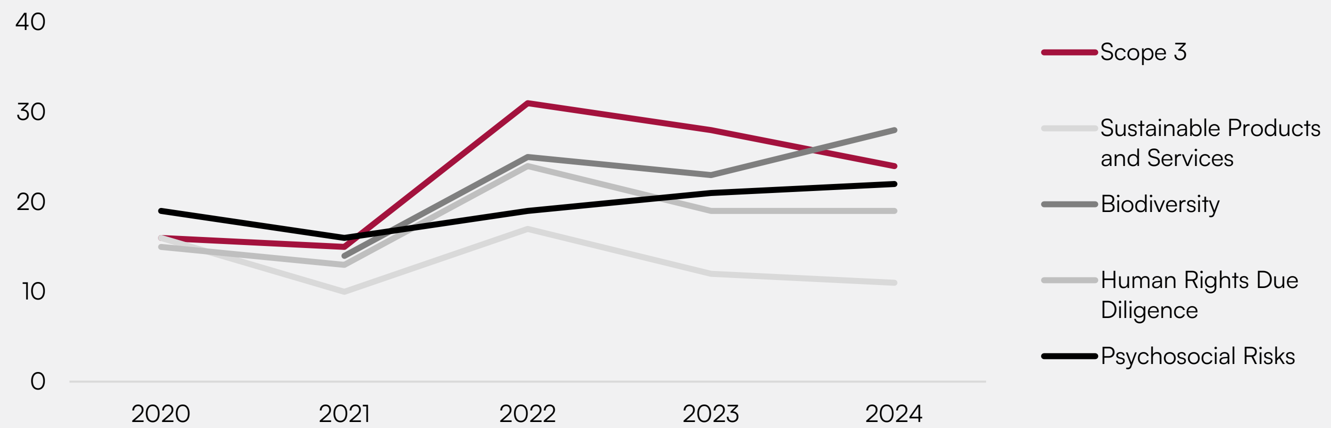
Considering all three types of Engagements, we observed that Governance-topics were addressed more frequently than Environmental and Social topics this year (Figure 10). This is primarily due to our Light Engagements (zRating), where we contact all SPI companies regarding their Corporate Governance Rating (zRating) and other governance-related topics.

Figure 10: Topics Engaged 2024



However, since 2020, we have expanded our focus company universe, leading to an increased focus on Social and Environmental topics. As a result, the number of Environmental and Social topics addressed has risen from 66 in 2020 to 104 in 2024 (Figure 11). This increase is driven not only by the overall growth in our engagement activities (Figure 5) but also by a higher number of Full and especially Light Engagements. Consequently, the share of Social and Environmental topics relative to all topics increased from 20% in 2020 to 23% in 2024.

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 (4.0 out of 5 points). This is unsurprising, as this topic is generally one of the three topics where focus companies are already advanced (see Figure 13). Additionally, only three companies were approached with this topic for the first time this year. Similar to last year, the lowest average score was recorded for *Biodiversity*, at 2.2 out of 5 points. *Biodiversity* was introduced as a new topic in 2021. Figure 12 provides further insights by showing the score distribution across all Full Engagements in 2024.

Table 2: Average Total Score 2024

Kep Topics	Ø Total Score 2024
Sustainable Products and Services	4.0
Scope 3	3.8
ESG Criteria in the Compensation System	3.5
Human Rights Due Diligence	3.2
Competencies in the Board	3.2
Psychosocial Risks at Work	3.3
Biodiversity	2.2

We recognize the challenge in establishing a direct cause-effect relationship in Engagement. Nevertheless, Inrate's Engagement efforts demonstrate measurable progress. **This year, we are pleased to report that nine Engagement targets were achieved.** Notably, Adecco, Belimo, Givaudan, and Zurich Insurance Group achieved their Engagement targets for *Sustainable Products and Services* for the first time. Additional examples can be found in the topic sections and, for members of the RSG, in our online tool.

This success highlights the overall progress observed when comparing key topic assessments following the start of our dialogue — thus after our first Full Engagement assessment (Figure 13). We are particularly glad to observe strong progress in *Scope 3 Emissions* and *Human Rights Due Diligence.* Beyond our Engagement efforts, these advancements can also be attributed to increased regulatory pressure, especially concerning human rights, and enhanced expectations from stakeholders, such as customers, the general public, and policymakers, to drive credible reductions in GHG emissions.

For the topic *Competencies in the Board*, we observe a slight decline in the overall score (see Figure 13). This is primarily due to stricter requirements as the competence “experience in sustainability“ has been added to the criteria in 2023. This does not indicate a deterioration in company performance but rather reflects that higher standards have been set.

Figure 12: Total Score Distribution 2024

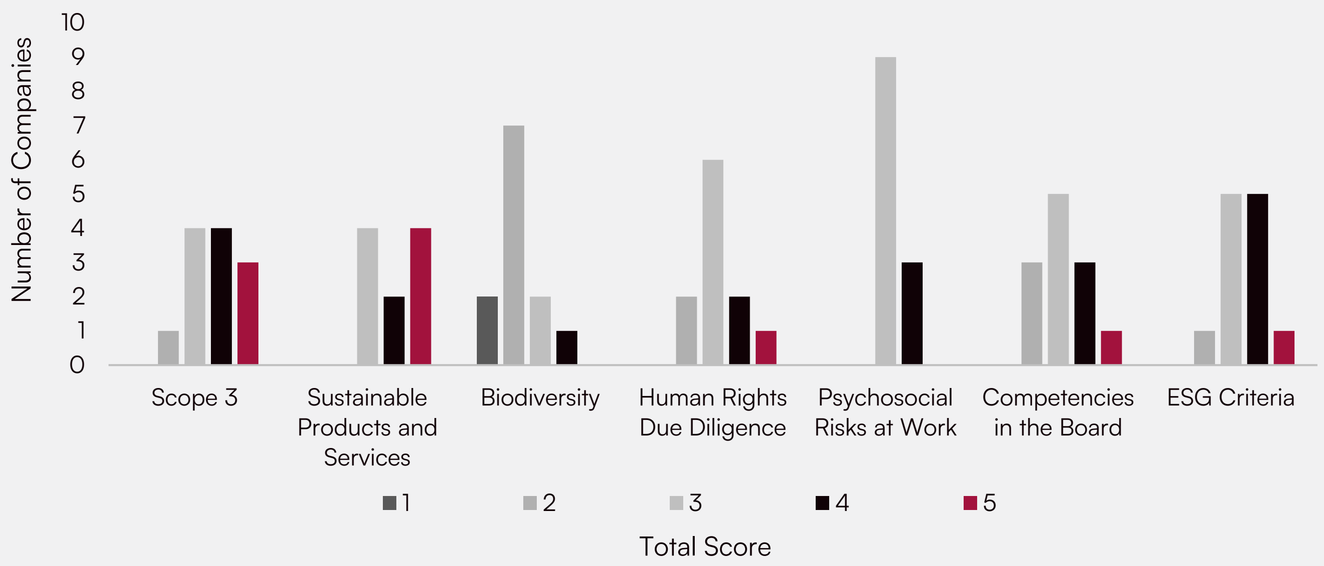
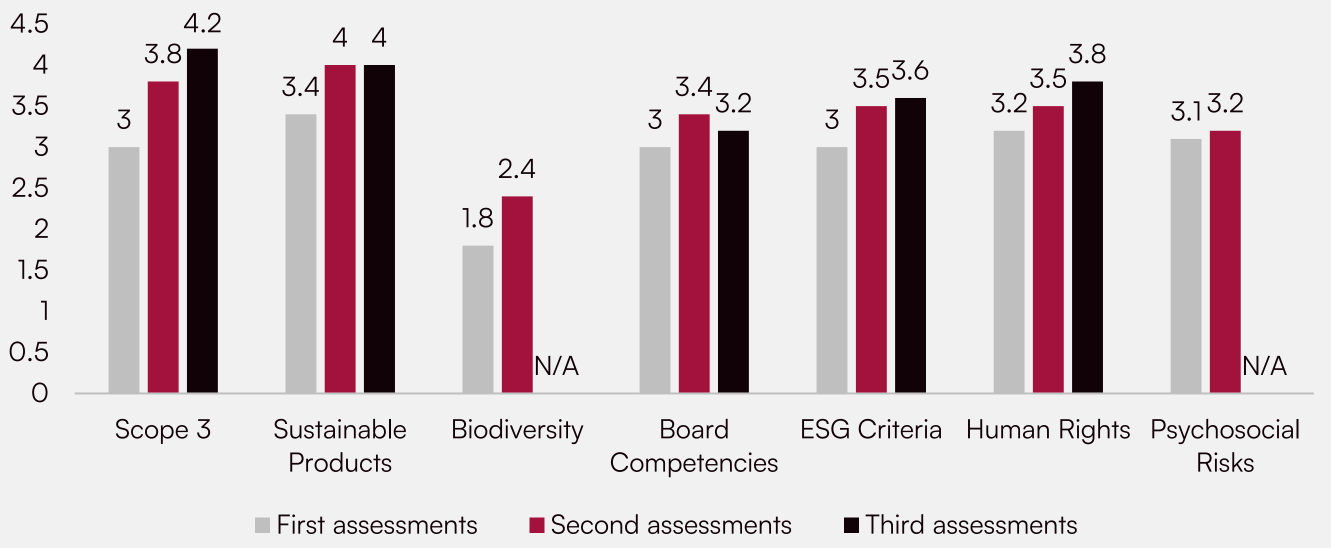


Figure 13: Historical Development of Key Topics



Scope 3

Brief Description

Greenhouse gas (GHG) emissions are categorized into direct and indirect emissions, depending on their origin and relationship to a company's operations. Scope 3 emissions encompass all indirect emissions that occur across the value chain, both upstream and downstream. These emissions arise from activities such as the production of purchased goods and services, business travel, financing activities, and the use of sold products. For many companies, Scope 3 emissions represent the largest share of their carbon footprint, significantly exceeding scope 1 and 2 emissions.

To address these emissions, frameworks like the Science-Based Targets initiative (SBTi) emphasize the need for companies to identify, measure, and reduce their value chain emissions. Companies can reduce Scope 3 emissions by collaborating with suppliers on decarbonization, transitioning to low-carbon logistics, and developing energy-efficient products. By addressing Scope 3 emissions, businesses can align with the Paris Agreement, reduce climate risks, and drive value chain-wide impact, demonstrating leadership in the transition to a low-carbon economy.

Materiality

Scope 3 emissions represent a critical focus area for achieving the Paris Agreement's climate goals, as they account for 75% of a company's total greenhouse gas emissions. The World Economic Forum's Global Risks Report 2024 highlights climate-related risks, including extreme weather events and critical changes to Earth systems, as the top two global threats. These risks emphasize the urgent need for companies to manage and disclose their full carbon footprints, including Scope 3 emissions.

Despite their significance, only 31% of Swiss companies in the Inrate universe set quantitative reduction targets for Scope 3 emissions. The Net-Zero Asset Owner Alliance urges companies to disclose at least their most material Scope 3 emissions and calls for stricter regulatory requirements. Addressing these emissions mitigates risks tied to carbon-intensive supply chains, enhances regulatory compliance, and strengthens long-term economic resilience.

Development 2024

In 2024, Scope 3 emissions continued to be a central topic of discussion during engagements, with twelve companies addressed in Full Engagements and additional twelve companies reached via email as part of Light Engagements.

The majority of companies once again recognized the materiality of Scope 3 emissions, with eleven out of twelve disclosing at least a portion of their Scope 3 emissions — similar to last year's results. Stadler Rail was the only company in this year's assessment cycle that did not disclose any Scope 3 emissions. All twelve companies assessed in 2024 have implemented at least a few programs addressing Scope 3emissions reduction, thus obtaining a minimum score of 3 points in the *Policies and Programs* milestone. This demonstrates growing action among companies to reduce their climate impact along the value chain. For the first time since the revision of the *Targets and Follow-up* milestone in 2023, two companies have achieved this milestone by setting SBTi-verified GHG reduction targets. Others even have partially verified SBTi targets, such as near-term goals, but do not achieve the overall near- and long-term verified net zero target.

Financial companies, which cannot get their net-zero goal verified yet, are assessed based on near-term target verification and net-zero commitments. However, six out of twelve companies still lack any Scope 3 reduction targets, highlighting a gap in ambition and planning. Nonetheless, progress was observed in *External verification*, where 67% of the companies (8 out of 12) obtained at least partial independent verification of their Scope 3 emissions data and reduction programs, up from 50% last year.

Overall, Scope 3 emissions remain an important issue for companies, with most companies implementing programs and initiatives to address their value chain emissions. However, challenges persist, particularly for smaller companies in our universe, where limited data availability and the complexity of Scope 3 accounting pose challenges. Many companies emphasized the importance of providing reliable data, often opting to take more time to develop accurate calculations rather than frequently revising methodologies. This underscores the continued tension between advancing disclosure practices and ensuring data reliability, which will likely remain a key focus in future engagements.

Overview Scope 3

Status overview

Ø Total Score 2024	3.8 of 5
Milestones reached 2024	11
Objectives reached 2024	2
Objectives reached total	8
Objectives not reached yet	20

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 2024

Julius Bär

A first Full Engagement with Julius Bär took place in 2018. In 2021, the focus topic of Scope 3 was first addressed in a video call. At that time, the company achieved an overall topic score of 3. For example, Julius Bär did not report on their GHG emissions resulting from their investments and did not have any initiatives specifically addressing Scope 3 emissions reduction.
Moreover, disclosure of emissions were not externally verified. In 2022, Inrate carried out a Light Engagement and Inrate followed up on the *external verification*. Julius Bär stated that they were looking into this.

In 2023, we took note that Julius Bär had their Scope 3 emissions verified by BDO. In this year's exchange, we were pleased to note that Julius Bär had disclosed most important up- and downstream emissions (incl. category 15: investments), reaching the milestone *Reporting of KPIs*. Besides, the company engages in stewardship activities to reduce Scope 3 emissions, which has also earned them reaching the milestone for *Policies and Programs*.

Overall, Julius Bär reaches an excellent result in the focus topic Scope 3. Therefore, Scope 3 emissions will be addressed next in six years, instead of three years.

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 enhancing the sustainability impact of a product or service requires considering its entire life cycle — from cradle to grave.

The opportunities for more sustainable design are as diverse as the products and services themselves. Key strategies include increasing the use of recycled materials and improving product recyclability. For example, in the pharmaceutical industry, factors such as toxicity, degradability, and proper disposal of products play a particularly important role. However, legal requirements in this sector often limit flexibility in redesigning packaging. In contrast, industries with fewer regulatory constraints on packaging have greater opportunities to adopt 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 2024

The topic of Sustainable Products and Services was discussed with ten companies in 2024. In addition, the topic was addressed in one Light Engagement. We are pleased to note that four companies reached the engagement target and a total of ten milestones were reached. Similar to the previous year, all companies we engaged with have mentioned Sustainable Products and Services as an issue they address. Additionally, nine out of ten companies treat the topic as a material issue. The milestone for *Policies and Programs* continues to be a strength, with nine companies meeting this milestone and an increase in the average score (from 4.6 to 4.8 out of 5 points).

These results demonstrate that companies are increasingly embedding sustainability considerations into their operations. However, challenges remain, particularly in *Reporting of KPIs*. While eight companies report at least some KPIs, fewer companies (40%) achieved the milestone compared to last year (55%).

This has resulted in a decline of the average score for this milestone from 4.1 to 3.4. The drop reflects ongoing challenges in tracking and assessing sustainability-related performance indicators, which are crucial for demonstrating progress to stakeholders.

The setting and implementation of targets for Sustainable Products and Services also continue to be challenging. Only two companies reached the milestone *Targets & Follow-up* (17%) in 2024, down from 21% in the previous year.

However, we are pleased to note that four companies (40%) have achieved the milestone of *External Verification*, an increase from 27% in 2023. The average score for this milestone has also improved (2.6 to 3.2 out of 5 points), underscoring that independent verifications of sustainability claims are gaining traction.

Overview Sustainable P&S

Status overview

Ø Total Score 2024	4.0 of 5
Milestones reached 2024	10
Objectives reached 2024	4
Objectives reached total	10
Objectives not reached yet	16

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 is verified by a third-party verification company

Example 2024

Belimo

The first Full Engagement with Belimo was conducted in 2021. Energy and resource efficiency of products as well as avoided emissions are seen as relevant in the field of Sustainable Products and Services for Belimo.

Our engagement with Belimo in 2021 revealed a strong alignment with material sustainability issues such as energy efficiency and avoided emissions but also highlighted significant gaps in target-setting, reporting transparency, and external verification.

Since our initial engagement, Belimo has made notable progress on several ends. While additional improvements were made in areas where they performed well before already, namely *Management positioning, Policies and Programs,* and *Reporting of KPIs*. For example, in addition to reporting on R&D investments as % of sales, the company now reports on the total avoided GHG emissions from sold field devices, demonstrating a shift towards impact-oriented metrics. While in 2021 Belimo lacked targets related to its product portfolio's sustainability performance, the company has introduced a target to double avoided GHG emissions from 7.7m tCO2 in 2023 to 16.4m tCO2 by 2030, demonstrating it's commitment to decarbonization extending to the downstream value chain. With this, the company reached the milestone for *Targets and Follow-up*.

In response to the lack of *External Verification*, Belimo initiated an external review of its CO2 impact model in 2024, marking a step toward independent assurance of its sustainability claims. Nonetheless, there is still room for improvement to extend *External Verification* to achieve the milestone of this KPI.

Overall, our engagement dialogues with Belimo have contributed to a shift to a more strategic and measurable approach and transparent reporting of Belimo, resulting in the Engagement target for Sustainable Products and Services being achieved.

Biodiversity

Brief Description

Biodiversity encompasses life forms, habitats and the genetic diversity of flora and fauna. Human activities have changed the natural environment to a significant 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

Biodiversity loss and ecosystem collapse are among the top three global risks identified in the World Economic Forum's (WEF) Global Risks Report 2024. Biodiversity loss inevitably has severe implications for the environment, society, and economic activity, primarily through the destruction of natural capital caused by large-scale species extinction and ecosystem disruption. The WEF estimates that over 50% of global GDP is at risk if nature degradation is not reversed by 2030. The largest driver of biodiversity loss is land and sea use change, including deforestation and urbanization.

The United Nations Environment Programme (UNEP) highlights the global food system as the primary driver of biodiversity loss. Industries such as the food, materials (incl. mining) and energy sector are particularly exposed to biodiversity risks and impacts.

For businesses, biodiversity conservation is increasingly critical. Biodiversity loss disrupts supply chain stability and drives up costs for raw materials, creating financial and operational risks. Addressing these challenges is just about environmental stewardship - it is essential for economic resilience and sustainability.

Development 2024

The topic of *Biodiversity* was addressed with twelve companies through Full Engagements in 2024 and with 16 companies through Light Engagements. Notably, this marks the first year in which we conducted a second assessment for this topic with companies from our focus universe, enabling us to measure progress compared to the initial engagement. While no companies achieved the engagement target yet, three companies showed measurable improvements, reflecting the growing awareness placed on biodiversity-related issues and a shift towards more concrete action in the aftermath of the Kunming-Montreal protocol.

The milestone for *Policies and Programs* with an average score of 3.2, up from 2.7 in 2023, highlights incremental progress. Ten of the twelve companies assessed demonstrated at least some biodiversity-related policies and programs in place, with Galenica achieving the milestone of effective programs and restoration efforts.

Nonetheless, conversations have shown that many companies are not aware of their own biodiversity impact and exposure. This is likely to change as more data becomes available over the next years to enhance transparency, create more robust targets and better monitoring. In addition to Inrate's endeavors, various initiatives such as the Taskforce on Nature-Related Financial Disclosure and the Science-Based Targets for Nature will increasingly highlight the importance of the topic.

Overview Biodiversity

Status overview

Ø Total Score 2024	2.2 of 5
Milestones reached 2024	1
Objectives reached 2024	-
Objectives reached total	-
Objectives not reached yet	10

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 2024

Arbonia

In 2024, Arbonia underwent its second assessment on biodiversity, marking the first opportunity to evaluate progress since the initial engagement in 2021. During the first full engagement conducted via video call in June 2021, Arbonia scored 1 out of 5 on Biodiversity, highlighting significant room for improvement.

In 2022, a light engagement revealed first improvements. Initial measures to integrate biodiversity conservation in operations were noted.

In 2024, further progress was observed, particularly in *Policies and Programs*, and *Reporting of KPIs*. Arbonia introduced greening measures at a few sites, reduced solvent emissions, and supported biodiversity restoration. These efforts improved its scores for *Policies and Programs* to yellow, reflecting some advancement. Moreover, Arbonia has made progress against *Reporting of KPIs*, by disclosing reductions in solvent use and the proportion used. Nevertheless, major gaps remain, as no global biodiversity KPIs are disclosed. Furthermore, Arbonia lacks an overarching biodiversity strategy, therefore scoring poorly on *Management Positioning*. Similarly, targets and independent verification of its initiatives and figures are missing.

Overall, some progress was observed, particularly in operational measures and reporting, there is still significant room for improvement.

Human Rights Due Diligence

Brief Description

We define Human Rights Due Diligence as the goal of avoiding negative impacts on people and society 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"). Considering this, we find that 59% of Swiss companies (Inrate universe) have adopted a public policy to respect human rights. However, only 27% of Swiss companies have now implemented a thorough Human Rights Due Diligence process to ensure the implementation of that policy in practice.

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 2024

In 2024, dialogues around this key topic were held with eleven companies. In addition, this topic was addressed in eight Light Engagements. With an average of 3.2 out of 5 points, companies scored averagely on this topic this season. In addition, one company we engaged with had already reached this goal in previous years and therefore the topic of Human Rights Due Diligence was not specifically addressed this year.

We found that companies tend to score well in the first step of the Human Rights Due Diligence management system, but less companies manage to properly implement the following 4 steps recommended by the OECD. Indeed, seven of the eleven companies had implemented a convincing human rights *policy and governance framework*, whereas only three of the eleven had carried out a comprehensive *Human Rights Impact Assessment*. Furthermore, companies are failing to report consistently and comprehensively on the effectiveness of measures and mitigation mechanisms in place to address high-risk issues (average 2024: 2.3/5). 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. Going one step further, we found that while most companies have grievance mechanisms in place for stakeholders to report human rights violations, very few companies actually disclose on the grievances reported and the remediation actions adopted to address these.

Overall, companies need to strengthen their efforts in terms of Human Rights Due Diligence processes. Human rights risks and impacts will vary based on the industry and countries of operation, and companies need to thoroughly understand the nuanced ways in which this topic applies to their
activities. While five milestones have been reached this year, there remains progress to be seen, with only one company out of twelve having met the engagement goal for this topic this year.

Overview Human Rights Due Diligence

Status overview

Ø Total Score 2024	3.2 of 5
Milestones reached 2024	5
Objectives reached 2024	1
Objectives reached total	4
Objectives not reached yet	23

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

Grievance and Remedy

A grievance system is in place. Results of grievance complaints are disclosed with measures adopted to address them. Information about remedy is available if cases are open.

Example 2024

Adecco

We engaged with Adecco on the topic of Human Rights Due Diligence for the first time in 2019. Back then, Adecco already showed a strong commitment to the topic and had adopted a specific policy and standard. However, a human rights risk assessment was not yet in place.

Over the years, Adecco has notably improved its Human Rights Due Diligence processes and has now met the engagement goal for the topic. Adecco now implements the 5 steps of the Human Rights Due Diligence management system recommended by the OECD. In addition to a comprehensive *policy*, *impact assessments* are conducted, with information on most relevant human rights risks disclosed. Programs are in place to mitigate and avoid negative impacts, and when such impacts occur nonetheless, a grievance mechanism is available for affected stakeholders with remediation measures taken and disclosed. We would still welcome the adoption of human rights audits both internally and for suppliers.

As the engagement target has been reached, we will monitor progress over time and conduct a complete assessment for this topic in six years.

Psychosocial Risks at Work

Brief Description

In this key topic, we focus on the mental well-being of employees. Mental stress can lead to health impairments that impact society at large, but that also more specifically worsen outcomes within the workplace. Psychological risks relate to phenomena such as stress, monotony, burn-out, bore-out and presenteeism (i.e., the practice of working when the employee would have been entitled to take leave, due to illness, injury, etc.).

Social risks include group-related risks, which can manifest themselves through bullying, bossing, sexual harassment, or violence.

Until 2019, the thematic focus was only on the phenomenon of presenteeism. Since 2020, the topic has been engaged on 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.

The Mind Health Report 2024, published by AXA and IPSOS, found that the workplace atmosphere has a notable influence on people's mental health outcomes. 77% of the employees surveyed stated that they suffered from a mental health problem due to their working environment. Symptoms included fatigue, lack of energy, sleep disorders, stress and anxiety, feelings of worthlessness and eating disorders.

Unaddressed Psychosocial Risks in the workplace can lead to employees losing motivation, retreating socially, or increasing their consumption of alcohol and/or psychoactive substances. Employees who go to work with depression are less productive over a longer period of time. Others are even unable to go to work and need to take sick leave. AXA estimated that the impact of employees having to take sick leave due to mental health issues leads to a GDP loss for Switzerland of around CHF 17.3 billion per year (based on a calculation by the Centre for Economics and Business Research).

Development 2024

In 2024, a dialogue was held with twelve companies on this key topic. It was also addressed in ten Light Engagements. In general, companies recognize the materiality of mental well-being and Psychosocial Risks at Work, and most companies implement some programs to improve the related outcomes within their workforce. However, *absenteeism* (average score: 3.8) continues to be tackled significantly more frequently and comprehensively than *presenteeism* (average score: 1.0), although the latter leads to significantly higher long-term costs for companies. Awareness of the issue is growing among certain companies, but none of them publicly disclose how *presenteeism* is being addressed internally.

This year, seven milestones were reached. Five out of 12 companies now explicitly address Psychosocial Risks in their employee policies and five companies have not only implemented programs related to *absenteeism* (health & safety, mental well-being, physical health, etc.), but also published corresponding *externally verified* metrics. This represents an increase in the percentage of companies reaching these two KPIs from 36% in 2023 to 42% this year. Furthermore, all companies addressed the issue of *employee turnover* and had some programs in place for talent management and/or employee engagement.

We encouraged companies to further address *group-related risks* such as bullying, bossing, sexual harassment, or violence in the workplace and publish externally verified information on incidents, measures taken and KPIs.

Overview Psychosocial Risks at Work

Status overview

Ø Total Score 2024	3.3 of 5
Milestones reached 2024	7
Objectives reached 2024	-
Objectives reached total	-
Objectives not reached yet	20

Milestone definition

Policy Commitment
Dealing with Psychosocial Risks is explicitly mentioned in a guideline and one authority is responsible for the topic

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

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

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

Group Related Risks (Mobbing, Bossing, sexual harassment, violence)
Programs implemented, external verification and/or certification of KPI monitoring

Example 2024

Zurich Insurance Group

We have been engaging with Zurich Insurance Group on the topic of Psychosocial Risks since 2015, at first with a greater focus on *presenteeism*, before broadening the scope to include wider employee well-being metrics such as *absenteeism*, *employee turnover* and other *group-related risks* (mobbing, harassment, discrimination, etc.). While *presenteeism* is found as a concept on the company's website, it is still not evident how the topic is being tackled internally. Nonetheless, Zurich has made notable improvements on the overall subject of Psychosocial Risks over the years, and now has a strong public commitment to employee well-being, implemented in practice through various programs linked to employee engagement, employee turnover and talent management over all generations.

We recognize that the company also has programs in place to tackle *absenteeism* and *group-related risks*. We would encourage them to go one step further by externally verifying the KPIs related to these topics. We would also welcome more detailed disclosure on their approach to *presenteeism*.

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 (new since 2023)

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 2024

As mentioned in the beginning, there was a steep decline in the Board Competencies Score: In 2023, we introduced "Sustainability" as a required competency at the board level. Because most companies lack this competency in the board of directors, it has resulted in a lower average topic score.

It is important to note that the definition and recognition of the 'Sustainability' competency for Board members may differ between what the company publishes in its Annual Report and Inrate's assessment. For the evaluation of competencies, the relevant professional and/or educational backgrounds must be clearly reflected in the published CVs of the Board members. In combination with the definition of relevant assessment criteria for each competency, this allows for a well-founded comparison between the assessed companies.

In 2024, discussions were held with twelve companies on this key topic. We also explicitly mentioned it in 28 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).

In 2024, 13% of Swiss board members possess all necessary competencies, up from 12% in 2023. However, around 75% of Swiss listed boards lack sustainability experience, a slight improvement from 80% the previous year. Digitalization experience (37%) and legal expertise (31%) are also frequently missing, following sustainability skills. Interestingly, female board members exhibit the highest sustainability and digitalization competencies but have the least CEO and industry experience.

This trend suggests that boards have been increasingly complemented by women with specialized expertise in recent years. Notably, Galenica has achieved its engagement target this year, joining the ranks of Georg Fischer, Nestlé, Novartis, Swisscom, and UBS, who have already met their goals. 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).

Overview Competencies in the Board

Status overview

Ø Total Score 2024	3.2 of 5
Milestones reached 2024	8
Objectives reached 2024	1
Objectives reached total	6
Objectives not reached yet	23

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 2024

Adecco

We last conducted a Full Engagement with Adecco in 2019, where the company received a mediocre rating across all KPIs.

At that time, the competencies of individual Board members and their alignment with the corporate strategy were unclear. Although a *self-assessment* was performed, it lacked detail and there was no term limit for board members.

In the Full Engagement 2024, Inrate noted the absence of sustainability experience on the board. However, Adecco has now disclosed the competencies crucial for its strategy and provided a competency matrix.

Despite these improvements, the balance of competencies still needs enhancement. *The self-assessment* process is now described, but a term limit (maximum 12 years) has yet to be established.

Overall, while Adecco has improved on three KPIs, further enhancements are necessary. Inrate will address these areas in future engagements to achieve the targets set by the Responsible Shareholder Group.

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 topics 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 2024

In 2024, discussions were held with twelve companies about this key topic. We also explicitly mentioned it in 28 Light Engagements and in all Light Engagements (zRating).

In 2024, ESG topics remain central at general meetings worldwide, reflecting a commitment to sustainable business practices. Despite resistance, especially in the USA, ESG proposals gain traction due to shareholder activism and regulatory pressure. In Europe, ESG-related litigation is rising, pushing companies towards greater responsibility and transparency. The EU Directive 2024/1760, effective July 2024, mandates companies to address human rights and environmental impacts across their supply chains.
This directive harmonizes ESG standards within the EU and pressures Swiss companies to improve their sustainability standards. Non-financial reporting, crucial for sustainable practices, now includes detailed environmental impact metrics, enhancing transparency and accountability.

In 2024, the importance of sustainability in corporate governance has solidified, with 58% of companies integrating ESG criteria into variable compensation, up from 49% in the previous year and 17% in 2019. In the SMI, 95% of companies meet these criteria, a slight decrease from 100% due to Kühne + Nagel replacing Credit Suisse. SMI Mid companies saw an increase to 80%, and non-SMI Expanded companies to 47%. Inrate introduced a new distinction for the 2024 AGM season, ensuring ESG goals in compensation reports are concrete, measurable, and relevant, improving reporting quality and ensuring significant contributions to sustainable development.

PSP Swiss Property was able to 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 2024	3.5 of 5
Milestones reached 2024	10
Objectives reached 2024	1
Objectives reached total	3
Objectives not reached yet	26

Milestone definition

Implementation
Mention and measurability of ESG Criteria in the Compensation System

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

Long-term orientation
Long-term & minimum shareholding requirements

Transparency
Rating according to low, medium or high

Comprehensibility
Rating according to low, medium or high

Example 2024

Arbonia

Between the Full Engagements 2021 and 2024, several developments were observed in Arbonia's compensation model. In 2021, the model was deemed *long-term oriented* but lacked *transparency*, and there were no ESG-related bonus targets. By 2024, ESG goals accounted for 10% of the variable compensation. The sustainability goal now includes a target for reducing greenhouse gas emissions in kgCO2e relative to CHF net sales.

However, there are still aspects of Arbonia's compensation system that require further improvement, which were addressed during this year's Full Engagement. The following points were criticized regarding Arbonia's ESG Criteria in the Compensation System:

- **Scope of Emissions:** It is unclear whether Scope 3 emissions are included in the target.
- **Relative Targets:** Reducing emissions relative to net sales can be problematic, as increasing prices could offset emission reductions. Absolute reduction targets would be more effective.
- **Lack of consideration for other ESG factors:** Focusing on CO2 emissions might neglect other important ESG factors such as social responsibility and corporate governance. A more comprehensive approach would be desirable.

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 2024

In 2024, discussions were held with a total of 95 companies on this key topic (12 as part of the Full Engagement and 28 as part of a Light Engagement).

In 2024, the importance of sustainability in corporate governance has continued to grow. Currently, 58% of companies have integrated ESG (Environmental, Social, and Governance) criteria into their variable compensation, up from 49% the previous year and just 17% in 2019. In the Swiss Market Index (SMI), 95% of companies now meet these criteria, slightly down from 100% last year due to Kühne + Nagel replacing Credit Suisse in the index, as Kühne + Nagel did not define any ESG criteria in its 2023 compensation system. Additionally, Inrate introduced a new distinction for the 2024 AGM season, assessing whether the ESG goals listed in compensation reports are concrete, measurable, and relevant. This step aims to improve reporting quality and ensure that companies not only meet formal ESG criteria but also make a significant contribution to sustainable development.

In 2024, 41% of analyzed Swiss companies have incorporated sustainable value creation into their statutes, a significant increase from only 12 companies in 2021.

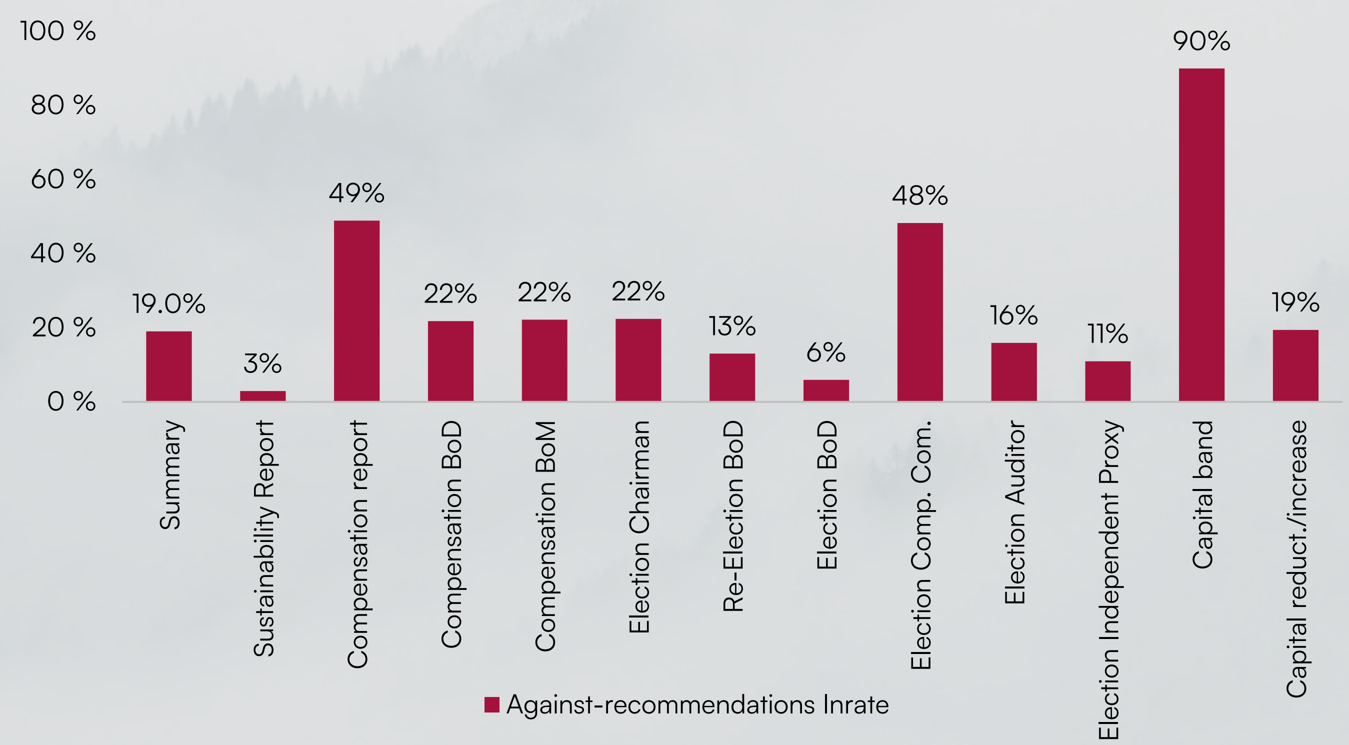
Overall, Baloise (+9 points) and Mobilezone (+8 points) improved the most. At Baloise, asset manager zCapital submitted three shareholder proposals. The 2% registration and voting rights restriction was removed, and the qualified majority for key General Assembly decisions was reduced from three-quarters to two-thirds of the votes. However, the proposal to amend the nominee clause was rejected as recommended by the Board. Inrate supported all three proposals, as they aimed to improve corporate governance and strengthen shareholder rights. Meanwhile, Mobilezone gained 8 points, improving its ranking by 61 places. Notably, sustainable value creation was added to its statutes (+1 point), the number of permissible external mandates for the Board and Executive Management was reduced (+2 points), and an ESG criterion was introduced in the compensation system (+1 point). Additionally, Mobilezone achieved the maximum score of 5 points in the "Sustainability" category by defining CO2 targets and opting into SIX sustainability reporting.

Rejected Agenda Items

Inrate has issued 3,539 voting recommendations this year. Consistent with previous years, 19.1% of the proposals were rejected. Notably, Inrate most frequently opposed the creation and extension of the capital band, rejecting 90% of such proposals. Inrate rejects authorizations for capital increases and/or reductions within the capital band for periods exceeding three years or if the potential capital dilution exceeds 20%. Additionally, Inrate frequently rejected the compensation report (48.9%) and the compensation committee (48.5%). Since 2020, Inrate has rejected compensation reports if the rating in Category 4 "Compensation and Participation Models for the Board of Directors/Executive Management" in the zRating is below 10 points. Furthermore, since 2019, Inrate has rejected members of the compensation committee if companies have not shown improvement in compensation matters over the years. Consequently, the rejection of these two proposals is often correlated.

We drew companies' attention to these rejected applications for 12 Full Engagements, 28 Light Engagements and 105 Light Engagements (zRating). Despite a critical review, there are also companies this year for which we have not rejected any proposals with 22 of a total of 164 companies (e.g. Baloise, Orior).

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 leak that took place in the 2021 engagement season, there have not been any new exceptionally large cases, similar to that season.

In 2024, controversies were raised at a total of four companies. With two companies, controversies were raised as a topic during full engagement dialogues. Two out of four companies responded to the questions in a defensive way during light engagements.

Details of the responses can be found on Inrate's Engagement online platform.

Outlook

There will be no fundamental changes to the selection of engagement topics in the upcoming season. As highlighted in previous reports, achieving meaningful progress requires consistent, long-term engagement, as significant potential for improvement remains across all key areas. Maintaining a focus on these topics continues to be essential for effectively engaging with decision-makers within focus companies.

Collaborative engagement approaches are gaining importance as a means to pool resources and enhance the effectiveness of dialogues with companies. While the establishment of an international engagement pool remains a priority, Inrate is currently evaluating the most suitable approach to address global companies and their ESG challenges.

In response to evolving expectations—such as the Federal Council's focus on greenwashing prevention and the Swiss Stewardship Code—Inrate will work throughout 2025 to develop a robust escalation strategy. This will help strengthen engagement efforts where progress has been limited and further align with stewardship best practices.

Additionally, Inrate is expanding its engagement offering with the introduction of a Real Estate Funds Engagement initiative, set to launch in February 2025. This new program will focus on enhancing sustainability among Swiss listed real estate funds, prioritizing climate action, resource use, and life quality.

The new online platform, launched in 2024, will remain a key tool for enhancing transparency and facilitating the monitoring of tailored engagement services. By streamlining reporting processes, the platform supports stakeholders in tracking progress and outcomes over time.

Appendix: Focus Company Universe

In the last five years, Full Engagements were conducted with 46 companies (see Table 3). "Standard" and "Exclusive" members of the Responsible Shareholder Group can monitor the progress against the Engagement targets in detail by accessing the Engagement online platform with their client user account at zrating.inrate.com.

Table 3: Focus Company Universe

Company	Index	2024	Company	Index	2024	Company	Index	2024
ABB	SMI	Light	Georg Fischer	SMIM	Light	Siegfried	Ex SMI Expanded	Light
Adecco	SMIM	Full	Givaudan	SMI	Full	Sika	SMI	Light
Alcon	SMI	Light	HIAG Immobilien	Ex SMI Expanded	Light	Stadler Rail	Ex SMI Expanded	Full
Arbonia	Ex SMI Expanded	Full	Holcim	SMI		Swatch Group	SMIM	Light
Bachem	Ex SMI Expanded	Light	Implenia	Ex SMI Expanded	Light	Swiss Life	SMI	Light
Baloise	SMIM	Light	Interroll	Ex SMI Expanded		Swiss Re	SMI	Light
Barry Callebaut	SMIM	Light	Julius Bär	SMIM	Full	Swisscom	SMI	Light
Belimo	SMIM	Full	Komax	Ex SMI Expanded	Light	u-blox	Ex SMI Expanded	Light
BKW	Ex SMI Expanded	Light	Landis+Gyr	Ex SMI Expanded	Light	UBS	SMI	Light
Bossard	Ex SMI Expanded	Light	Lonza Group	SMI	Light	Valiant	Ex SMI Expanded	Full
Bystronic	Ex SMI Expanded	Light	Nestlé	SMI		Vontobel	Ex SMI Expanded	Full
Calida	Ex SMI Expanded		Novartis	SMI	Light	VZ Holding	Ex SMI Expanded	Light
Clariant	SMIM	Light	Partners Group	SMI		Zehnder	Ex SMI Expanded	Light
Emmi	Ex SMI Expanded	Light	PSP Swiss Property	SMIM	Full	Zurich Insurance Group	SMI	Full
Galenica	SMIM	Full	Roche	SMI	Full			
Geberit	SMI	Light	SGS	SMIM				

Appendix: Reporting Guidelines

Table 4: Reference to Swiss Stewardship Code 2023

Principle and description	Inrate Reference
Principle 1: Governance 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.	• Inrate Participants, p. 14 • Team & Governance, Engagement Policy, p. 2
Principle 2: Stewardship Policies Investors and service providers develop effective stewardship policies which reflect the principles for effective stewardship and are aligned with their goals and values.	• Engagement Policy
Principle 3: Voting	• Not applicable
Principle 4: Engagement/ Individual Engagement 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.	• Engagement Approach and Process & Engagement Activities, p. 9-18 • Definition KPIs and expected outcomes, p. 23-38 • Definition engaged investee companies, Engagement Policy, p. 6 • Definition methods of engagement, p.15-18 & Engagement Policy, p.3-4 • Definition engagement topics, Engagement Policy, p.4 • With whom do we engage at investee company, p.16
Principle 5: Escalation 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.	• Escalation strategy, Engagement Policy, p. 6
Principle 6: Monitoring of Investee Entities Investors and service providers regularly monitor investee entities to track, assess and review the effectiveness of their stewardship activities.	• 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. • Focus companies (see p. 41) are monitored and contacted on a yearly basis as part of Inrate´s engagement activities. In case of
Principle 7: Delegation of Stewardship Activities	• Not applicable for Inrate as service provider.
Principle 8: Conflicts of Interest 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.	• Conflict of Interest, Engagement Policy p. 2
Principle 9: Transparency and Reporting 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.	• Transparency and reporting, Engagement Policy p. 3

Appendix: Overview of embedding engagement topics in Inrate's product portfolio

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	11 Indicators	• 4.12 ESG-Criteria in the Compensation System • 5.1 ESG Impact Rating • 5.4 Information about CO2-targets	• Goal 13: Climate Action • Goal 14: Life below Water • Goal 15: Life on Land
Sustainable Products and Services	18 Indicators	• 4.12 ESG-Criteria in the Compensation System • 5.1 ESG Impact Rating	• Goal 6: Clean Water and Sanitation • Goal 9: Industry, Innovation and Infrastructure • Goal 12: Responsible Consumption and Production • Goal 14: Life below Wa- ter • Goal 15: Life on Land
Biodiversity	13 Indicators	• 5.1 ESG Impact Rating	• Goal 14: Life below Wa- ter • Goal 15: Life on Land
Human Rights Due Dili- gence	17 Indicators	• 4.12 ESG-Criteria in the Compensation System • 5.1 ESG Impact Rating • 5.2 Involvement in con- troversies • 5.3 Directive on human rights	• 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	• 4.12 ESG-Criteria in the Compensation System • 5.1 ESG Impact Rating • 5.7 Whistle-blower reporting office	• Goal 3: Good Health and Well-being • Goal 16: Peace, Justice and Strong Institutions
Competencies in the Board	-	• 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)	• Goal 17: Partnership for the Goals
ESG Criteria in the Compen- sation System	1 Indicators	• 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	• Goal 12: Responsible Consumption and Pro- duction

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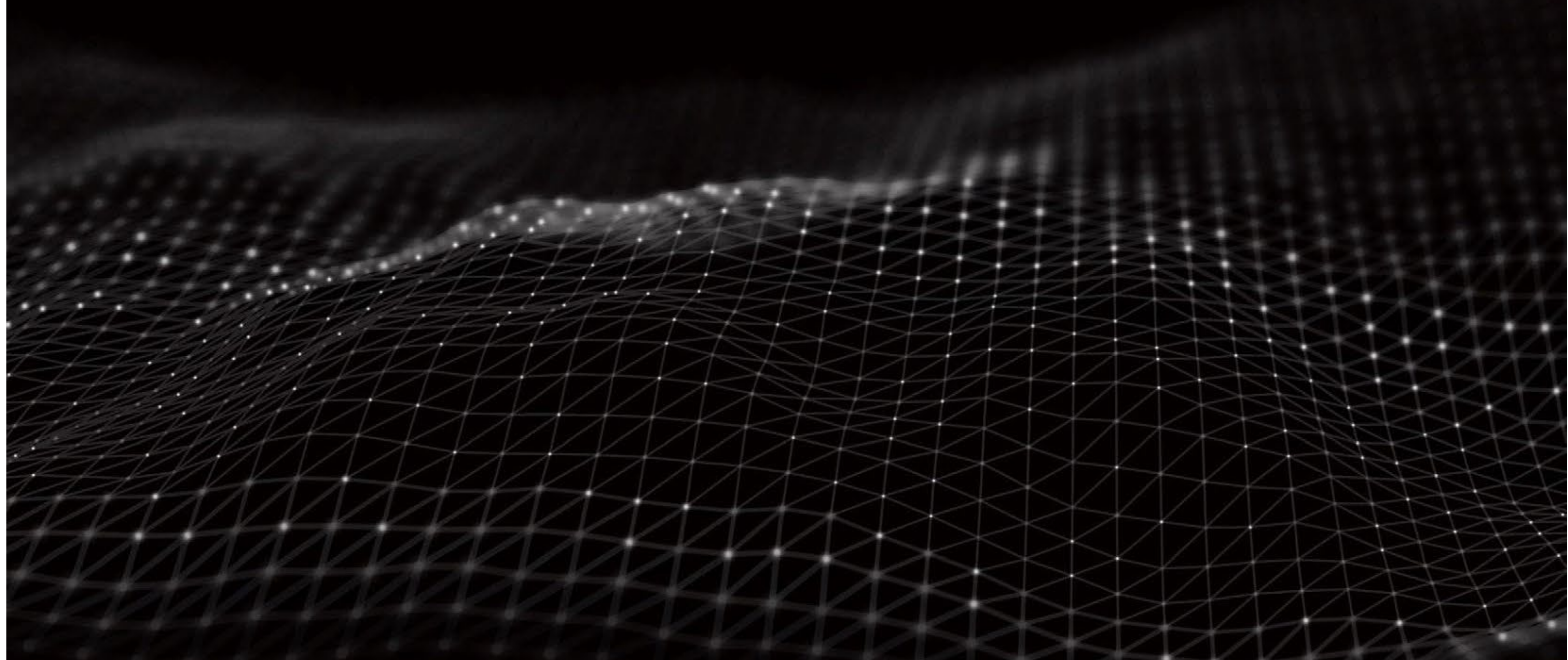
ESG to the Core: Since 1991

Inrate, a Sustainability Data and ESG Impact rating company, helps financial institutions view sustainable finance from an 'impact' lens. The contemporary responsible investor needs data that supports a variety of use cases and stands up to scrutiny. Inrate scales the highest quality and standards and deep granularity to a universe of 10,000 issuers, allowing portfolio/fund managers, research, and structured product teams to make confident decisions.



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