

Asset Management

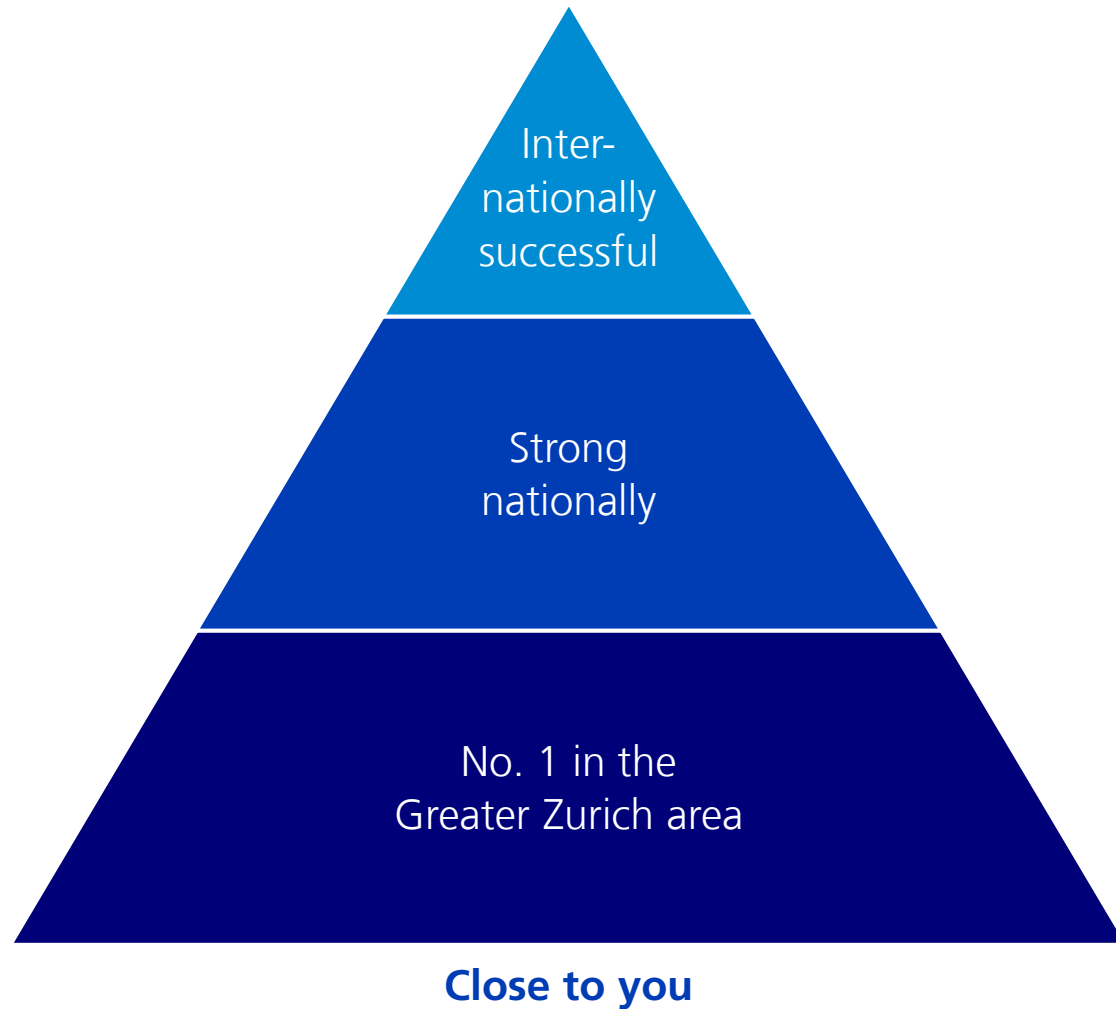
July 2022



Zürcher Kantonalbank

A strong basis for the common path

Our bank is like our canton: a well-established regional base with strong international links



- Major involvement in the **international activities of the Canton of Zurich**; this is also due to the public service mandate
- **Preferred international partner** for tax compliant private banking, trading, trade and export finance and interbank business
- **First-class Swiss provider** for complex financing arrangements, sophisticated investment and **asset management** solutions as well as trading and capital markets
- Zürcher Kantonalbank generates almost **90 percent of its earnings in Switzerland** – the same level of risk capital is used

The trust of our customers is key to our success

Figures 2021

Balance sheet total (CHF)

192 bn

Consolidated profit (CHF)

942 m

Risk-based capital ratio
(going-concern)

18.5%

Profit distribution (CHF)
(ordinary)

431 m

Rating

AAA S&P

AAA Fitch

Aaa Moody's

Client Assets (CHF)

Assets under Management

409 bn

NNM 2021

+ 26 bn

Headcount (FTEs)

5'145

Owner

**Canton
of Zurich**

¹ Including branches of Zürcher Kantonalbank Österreich AG in Salzburg and Vienna

Asset Management – about us

**That is why we are a strong partner at
your side**

Our Mission – what we are convinced of and what we are committed to



We want to make the economy and society **sustainably fit** for tomorrow..

As the asset management arm of Zürcher Kantonalbank, we aim to make the economy and society fit for the future.

We think far beyond individual client requirements and are committed to the economic and social contribution of asset management. We strive for continuous improvement with measurable progress that moves individuals and all of us forward.

We want to have a positive impact on society and create real added value.

Successful Asset Management Made in Switzerland – What we stand for

Performance



We deliver goal-oriented portfolio management and strive to achieve above-average returns with our approximately 250 Swisscanto fund products.

Sustainability



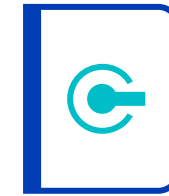
Zürcher Kantonalbank's Asset Management is committed to sustainability and is a pioneer in this field with its Swisscanto fund solutions.

Partnership



Zürcher Kantonalbank's Asset Management implements your investment needs: actively or passively - always solution-oriented.

Pension scheme

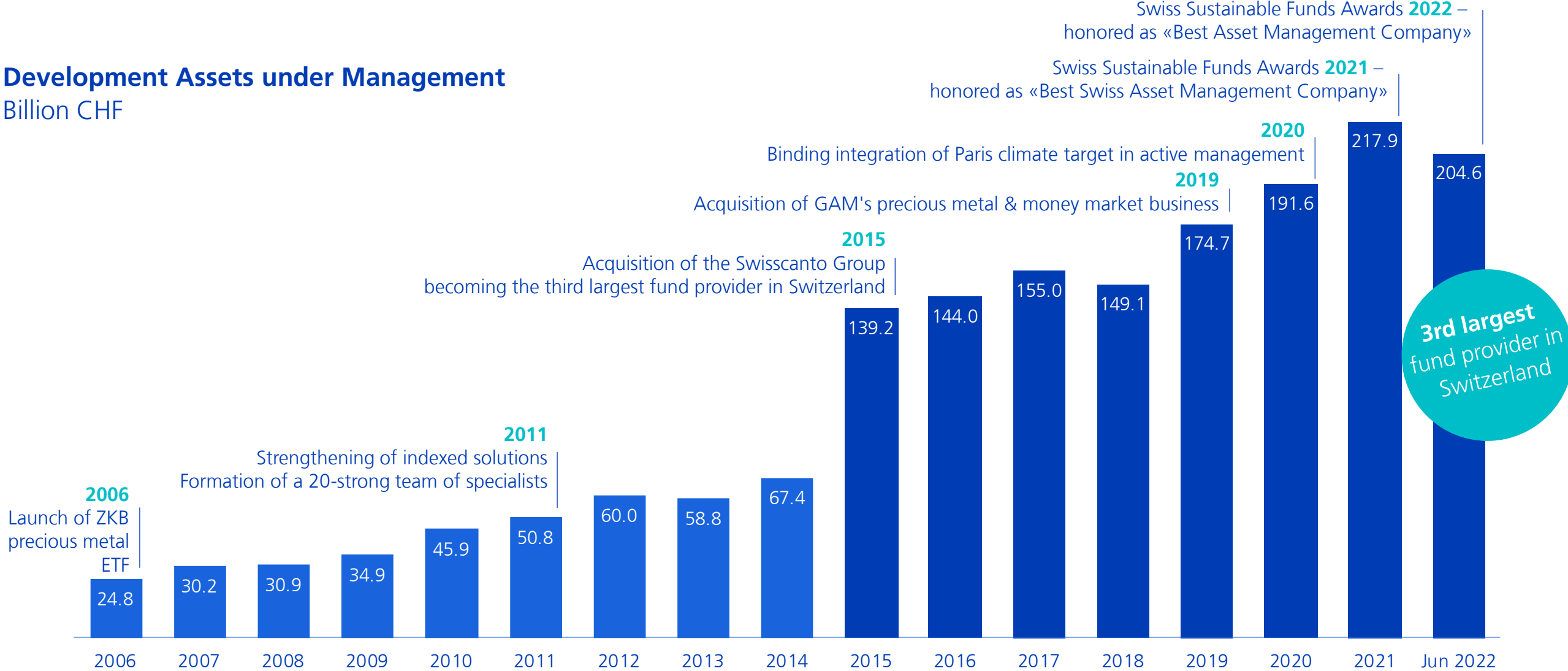


With our products and services for pension funds and the pension fund study, we are an established expert in the field of pension provision

We create benefits for customers, the economy and society with clear conviction.
Throughout Switzerland and internationally.

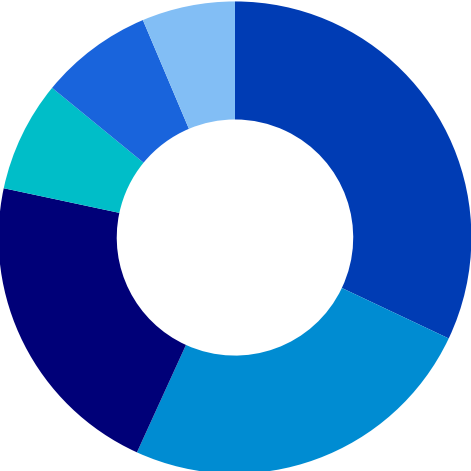
Our development over the last 16 years: a lasting success story

Development Assets under Management Billion CHF



Our clients entrust us with assets worth over CHF 204 billion

Asset Classes / Style



- Fixed Income
- Equity
- Multi-Asset
- Real Estate
- Alternative Solutions
- Overlay Solutions (only)

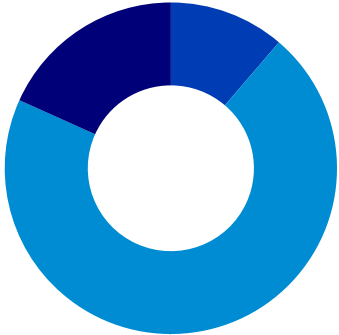
CHF bn	Total	Active	Passive
	204.6	107.6	97.0
	65.5	35.5	30.1
	50.7	14.7	36.0
	44.1	31.4	12.7
	15.5	12.8	2.7
	15.8	0.3	15.5
	13.0	13.0	0.0

Access

CHF bn	(33.5)	204.6
Swisscanto investment foundations / Avant		22.1
Fund solutions (CH) Switzerland	(10.2)	94.6
Fund solutions (LU) Luxembourg	(7.8)	10.7
ETF	(13.1)	13.1
Limited partnership for collective investment schemes		0.2
Certificates	(0.2)	0.2
Mandate solutions	(2.2)	57.3
Modular access (active & core select)		6.3

(Figures in brackets) = Share of retail assets in CHF billion

Product line



- Sustainable
- Responsible
- Traditional

CHF bn	Total	Active	Passive
	204.6	107.6	97.0
	12.1	12.1	-
	92.4	75.8	16.5
	100.1	19.7	80.4

More about us: zkb.ch/assetmanagement

Our product offering in the context of sustainability

		Stewardship	Controversies		ESG	Climate	SDG	Transparency
Product line	Application ¹	Voting Engagement	Swisscanto blacklist	Further exclusions	ESG integration	CO ₂ e reduction	Sustainable Purpose	Sustainability reporting
Active	Sustainable	Strategies in the traditional asset classes	✓	✓	✓	✓	✓	✓
	Responsible	Strategies in the traditional asset classes	✓	✓	✓	✓	✓	✓
		Direct real estate	✓	✓		✓	✓	✓
Passive	Responsible index strategies	✓	✓	✓	✓	✓	✓	
	Traditional (not sustainable)	Standard index strategies	✓	✓				

Increasing the degree of sustainability ↑

¹ The sustainability approaches apply to the entire portfolio or to a significant part of the portfolio assets. Individual criteria and approaches can be implemented slightly different for the various product lines.

Walking the talk!

Sustainable

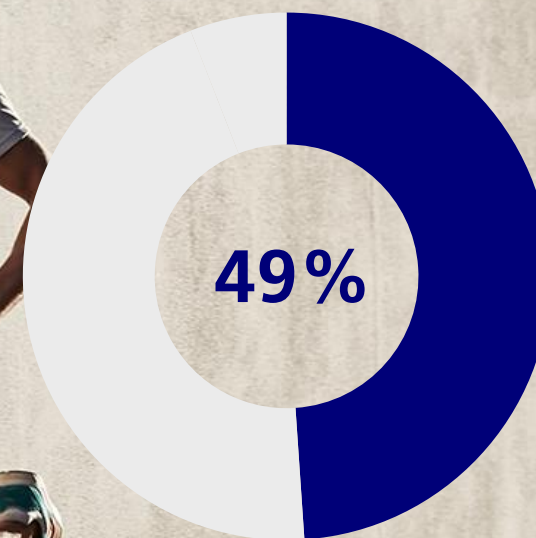
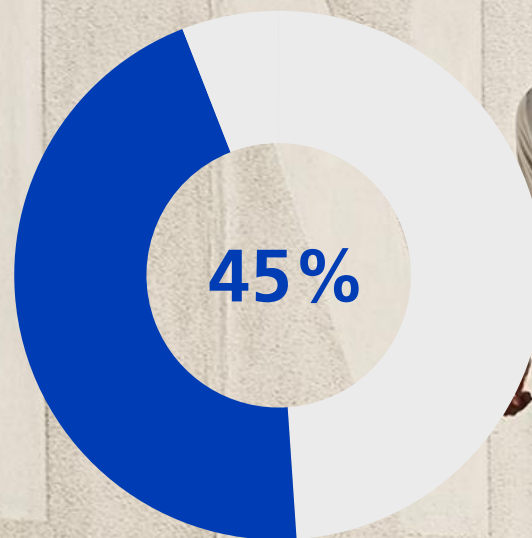
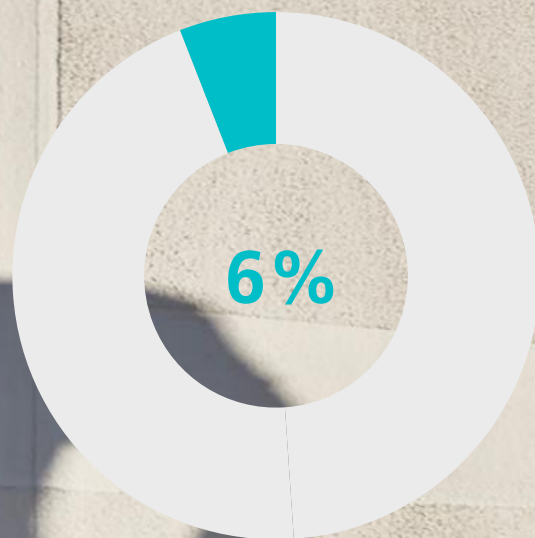
CHF 12.1 bn

Responsible

CHF 92.2 bn

Traditional

CHF 99.9 bn



Fund assets and individual asset management solutions managed by the Asset Management of Zürcher Kantonalbank, as of the end of June 2022

Sustainability is in our DNA

Societal responsibility



Sustainability investing and climate protection are our **societal responsibility**.

Across all asset classes



Sustainability aspects and climate risks are **material across all asset classes**.

Sustainability drives performance



Sustainability principles in asset management activities drives performance.

Governance of sustainability in asset management

Consulting, Conception

Investment sustainability advisory board 

Who Four external experts with scientific & practical backgrounds

What Consulting and conceptual development

Strategy

Management Committee Asset Management 

Ten members of the management team

Makes strategic decisions, set KPIs, decides on budget



Sustainability policy Zürcher Kantonalbank 

Bank Council / General Management

Sustainability policy as an important part of the corporate strategy is validated annually

Operational strategy

ESG Strategy & Development 

Dedicated department with five sustainability experts

Coordination, development, training, data science



ESG Committee 

Experts from involved processes

Cross-departmental exchange and decision-making

Operational implementation

Investment Specialists 

94 investment professionals

Fundamental analysis, engagement/voting, portfolio implementation

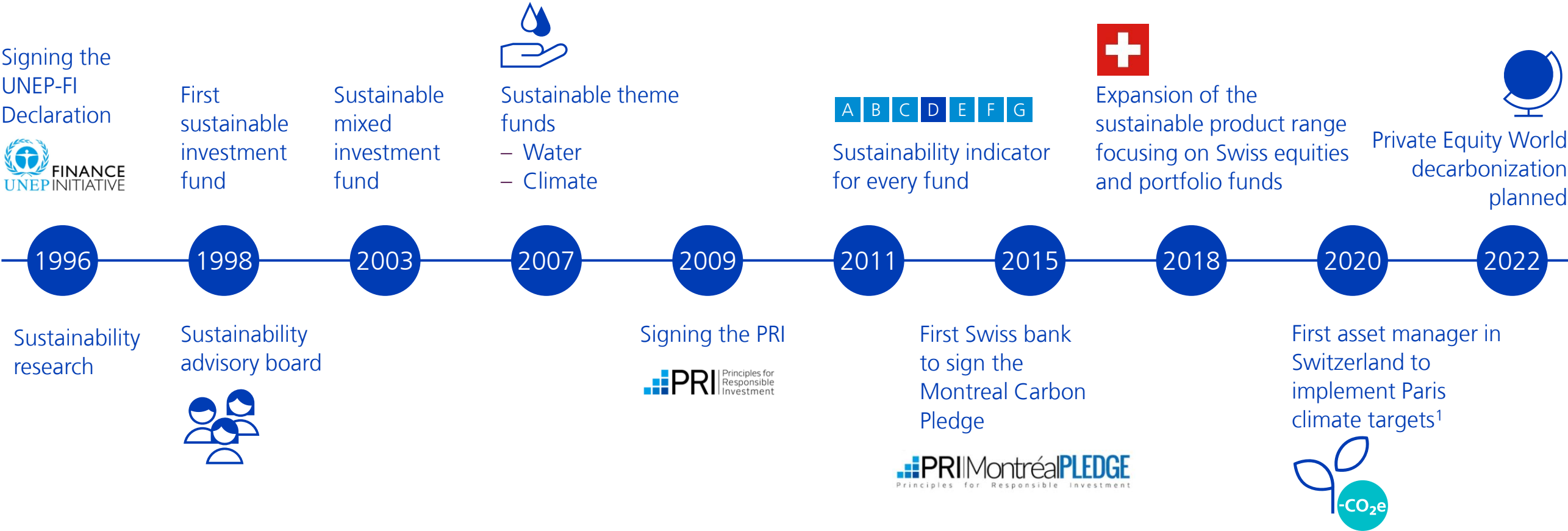


ESG Executive Panel 

Experts from active portfolio management units & ESG-Team

Preparation of decision bases for the ESG Committee

Sustainability is our conviction for 25 years

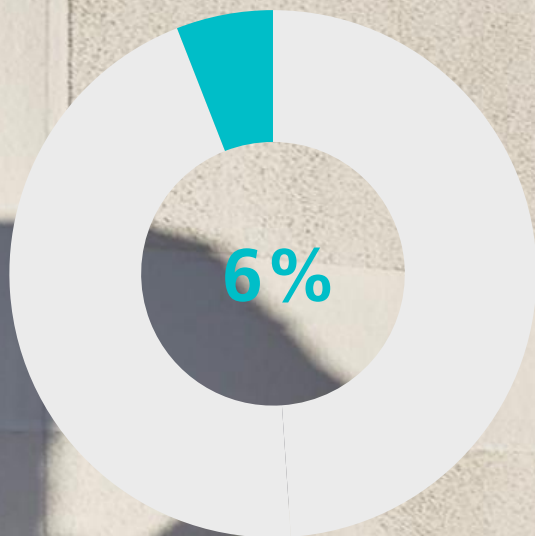


¹ for all actively managed assets in traditional asset classes (Responsible products)

Walking the talk!

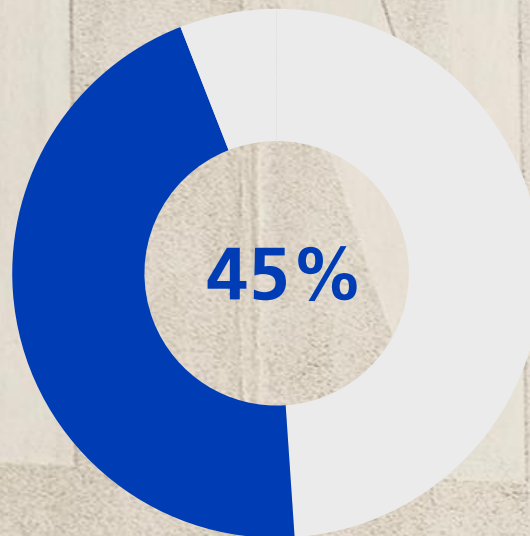
Sustainable

CHF 12.1 Bn



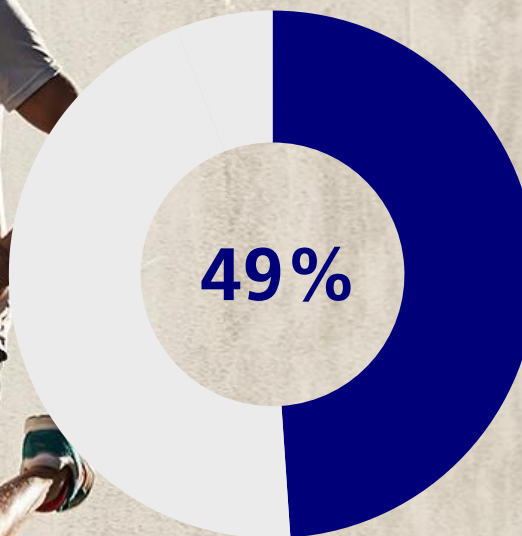
Responsible

CHF 92.2 Bn



Traditional

CHF 99.9 Bn



Fund assets and individual asset management solutions managed by the Asset Management of Zürcher Kantonalbank, as of the end of June 2022

The product range aims to simplify rules-based processes

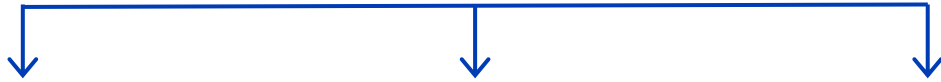
			Stewardship	Controversies		ESG	Climate	SDG	Transparency
Product line	Application ¹	Voting & Engagement	Swisscanto Blacklist	Further Exclusions	System. ESG-Integration	CO ₂ e-Reduction	SDG Impact	Sustainability Reporting	
Active	Sustainable	Highly sustainable impact strategies	✓	✓	✓	✓	✓	✓	✓
	Responsible	Traditional active investment strategies	✓	✓	✓	✓	✓		✓
		Direct real estate	✓	✓		✓	✓		✓
Passive	Responsible index strategies	✓	✓	✓	✓	✓		✓	
	Traditional (non-sustainable)	Standard index strategies	✓	✓					

Increase in sustainability ↑

¹ The sustainability approaches apply to the entire portfolio or to a significant part of the portfolio assets. Individual criteria can be implemented differently for the various product lines.

Stewardship – Making a sustainable impact

Engagement



Direct «one-to-one» Dialog with Swiss corporations since 2017

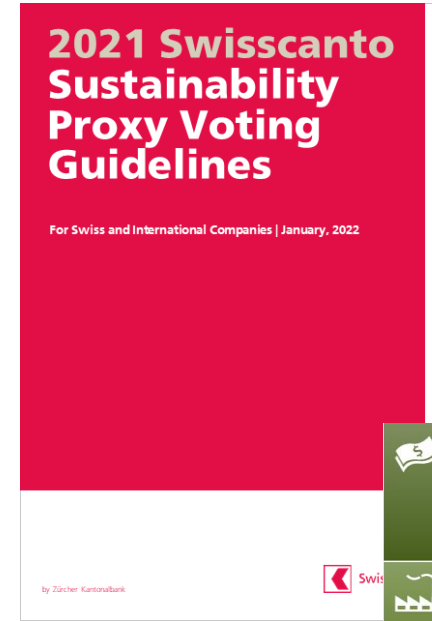


Collaborative Engagements via investor platforms (e.g. UNPRI, ClimateAction100+)



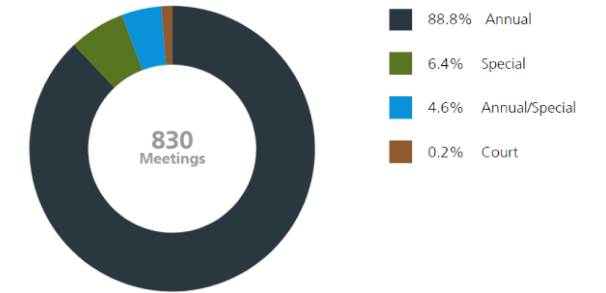
Internationale Engagement with corporations through a provider

Proxy Voting

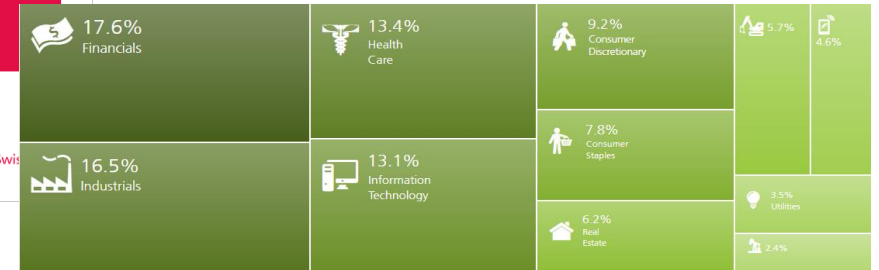


For more information: www.swisscanto.com/voting

Stewardship



Alignment with Management



Self-established guiding principles and guidelines

Controversies – our exclusions¹

Controversies



		Traditional (non-sustainable)	Responsible ³	Sustainable
Problem area	Exclusion criteria	– = Corporate exclusions → = Sovereign exclusions		
Endangering of society and health 	Swisscanto Blacklist² Controversial weapons manufacturer: – Cluster bombs & cluster munitions – Anti-personnel landmines – Biological and chemical weapons – Nuclear weapons systems & material – Depleted uranium – Blinding laser weapons – Incendiary weapons – Behavior-based exclusions in accordance to SVVK-ASIR	– Weapons & munitions manufacturers – Military technology (> 5% revenues) – UN Global Compact breaches ⁴ – Child labor – Adult entertainment → Country sanctions	– Military technology – Nuclear power: operations – Nuclear power: uranium mining – Nuclear reactor manufacturer – Genetic engineering – Tobacco producer – Alcohol producer (> 5% revenues) – Gambling (> 5% revenues) – Factory farming	→ Violation of fundamental democracy & human rights → Use of the death penalty → Exceptionally high military budget > 4 % GDP → Expansion of nuclear energy (share >50%) → Corruption (corruption index < 35) → Nuclear Non-Proliferation Treaty not ratified
Climate change 		– Thermal coal mining (> 5% revenues) – Coal reserves (excl. metal production)	– Coal reserves & mining – Electricity generation from fossil fuels – Exploitation of Oil & gas – Conventional car manufacturers without a comprehensive transition strategy to use alternative climate-friendly powertrains – Aircraft engine & parts manufacturers – Airlines – Cruise lines	→ Paris Climate Agreement not ratified
Declining biodiversity 			– GMOs in agriculture – Unustainable fishing & fish farming – Unsustainable forestry	→ Convention on Biological Diversity not ratified

¹ In exceptional cases, while maintaining the interests of investors, exclusions may not be taken into account, e.g. in the case of indirect investments. Certain exclusion criteria may be overwritten for green and sustainable bonds.

² Taking into account Swiss legislation and international agreements ratified and recognised by Switzerland, and following SVVK-ASIR. In addition to the manufacturers of outlawed weapons, other, usually behaviour-based exclusions can also be included in the blacklist. In doing so, the asset manager relies, among other things, on information from independent third-party providers and places companies on the blacklist if the exclusion is deemed reasonable under consideration of the overall circumstances.

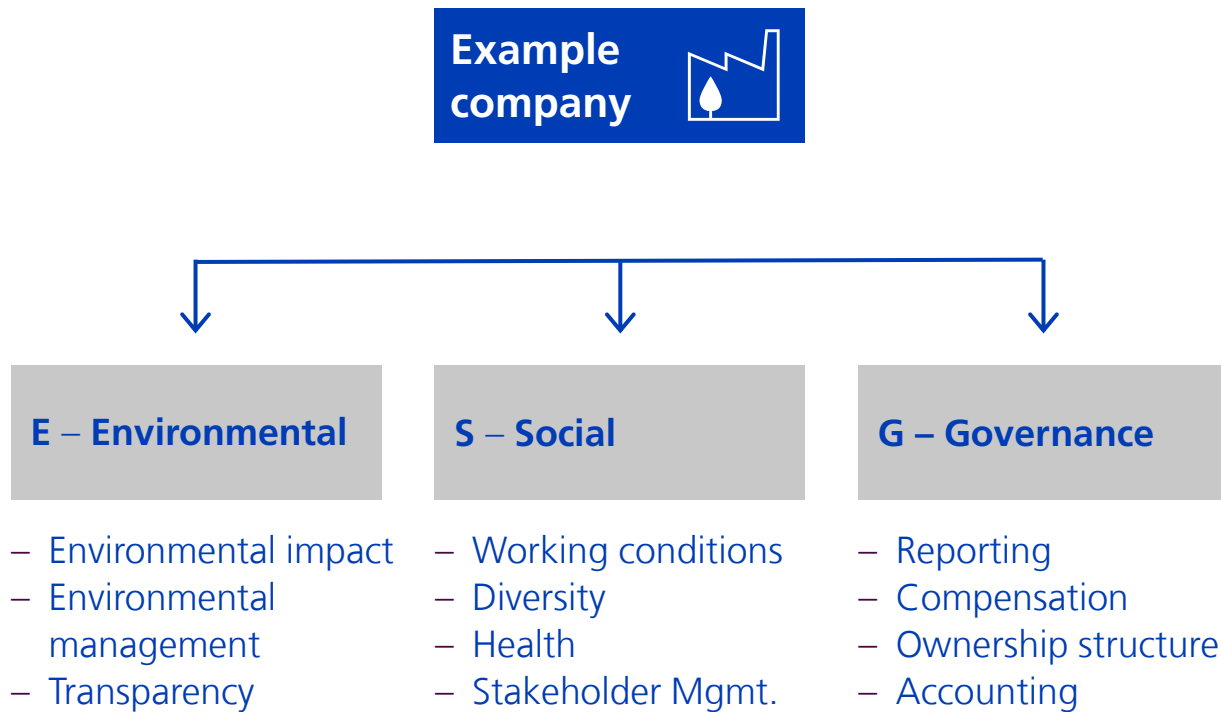
³ There are different exclusions for direct and indirect Responsible real estate and for commodities (ESG Integrated).

⁴ United Nations standard on human rights, labour rights, environmental standards and anti-corruption. In the event of potential violations by companies of the UN Global Compact Principles resulting from our screening, we seek dialogue as part of our engagement and urge companies to change their behaviour. If no change in behaviour occurs within a reasonable period of time, existing investments will be sold.

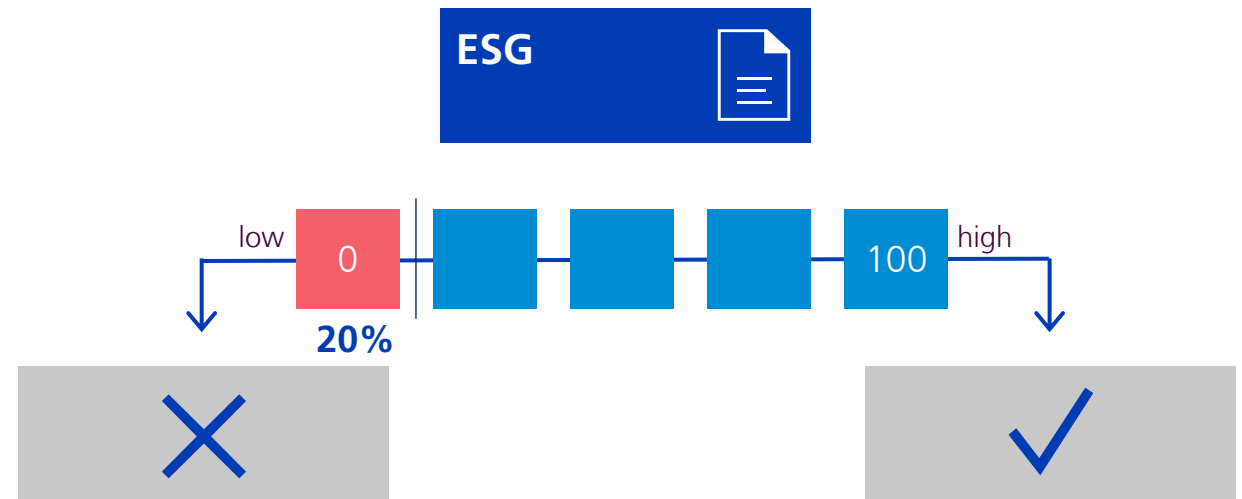
ESG-Integration leads to better investment decisions



Proprietary ESG-Score as the basis for integration



Implementation in the portfolios

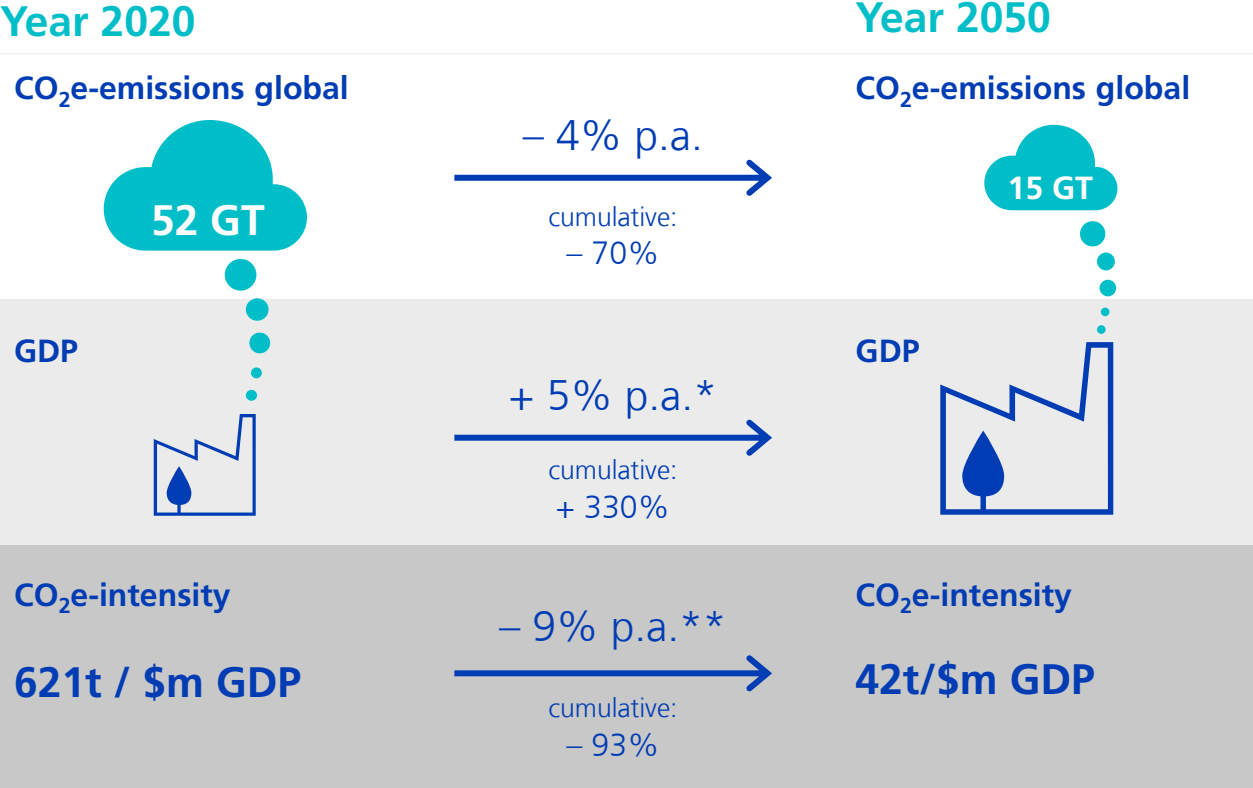


- **Active funds:**
In-depth analysis of ESG risks & opportunities
- **Index Responsible:**
Exclusion of the lagging 20% per sector/region as basis

Engagement and capital allocation towards the Climate goal

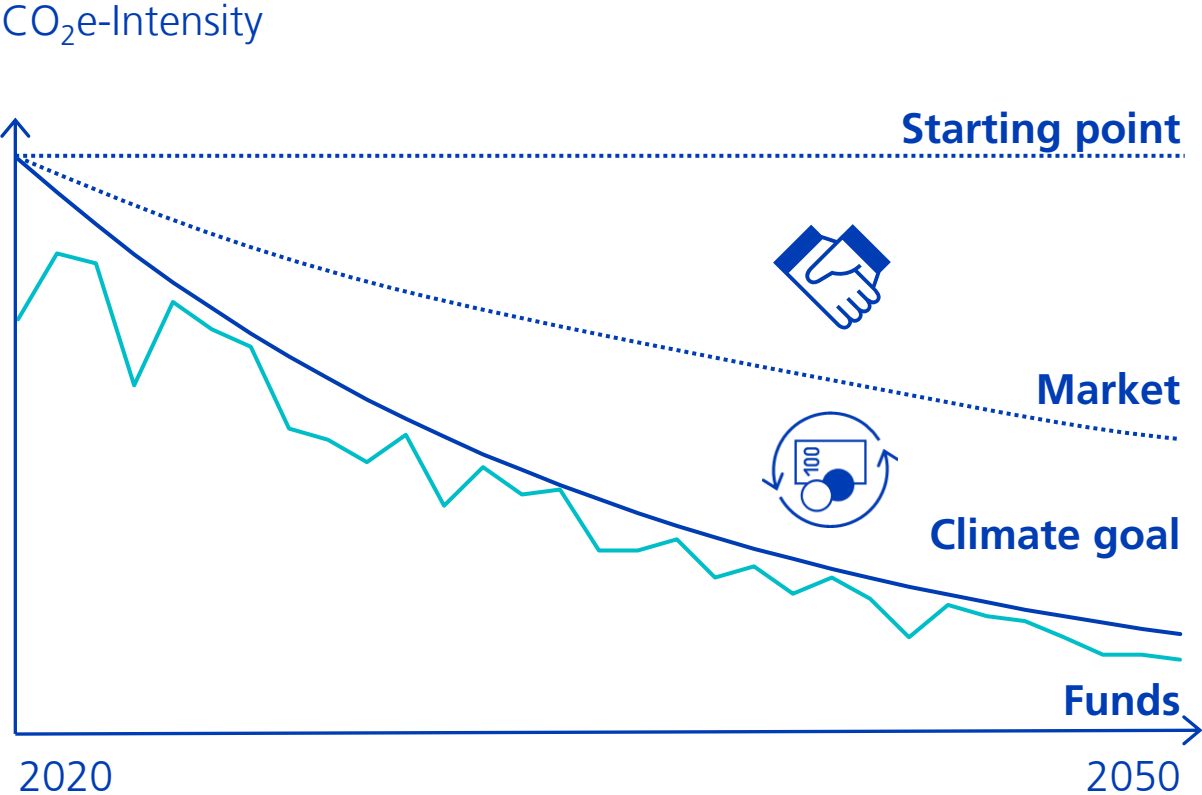


Reduction of 4% p.a. plus GDP growth



* Assumption: Nominal GDP growth (G) = 5%
 ** $1 - [(1 - 4\%) / (1 + 5\%)] = 8.57\%$

Engagement and capital allocation as tools



SDG Investing – Issuers with positive contribution



Focussing on issuers that can capitalize on the expected creation of \$12 Bn global GDP and 380m new jobs worldwide, through their solutions for the SDGs*



Energy

- Alternative energy
- Energy efficiency



Mobility

- Public transportation
- Clean personal transportation



Ressources

- Water
- Resource efficiency



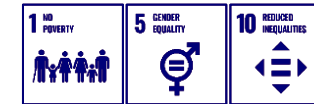
Health

- Access to health care
- Public health



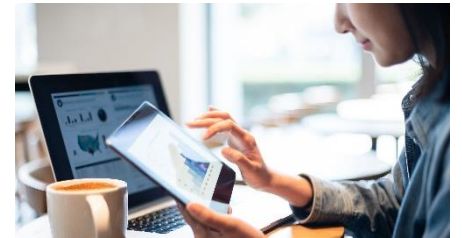
Finance

- Financial inclusion
- Financial infrastructure



Knowledge

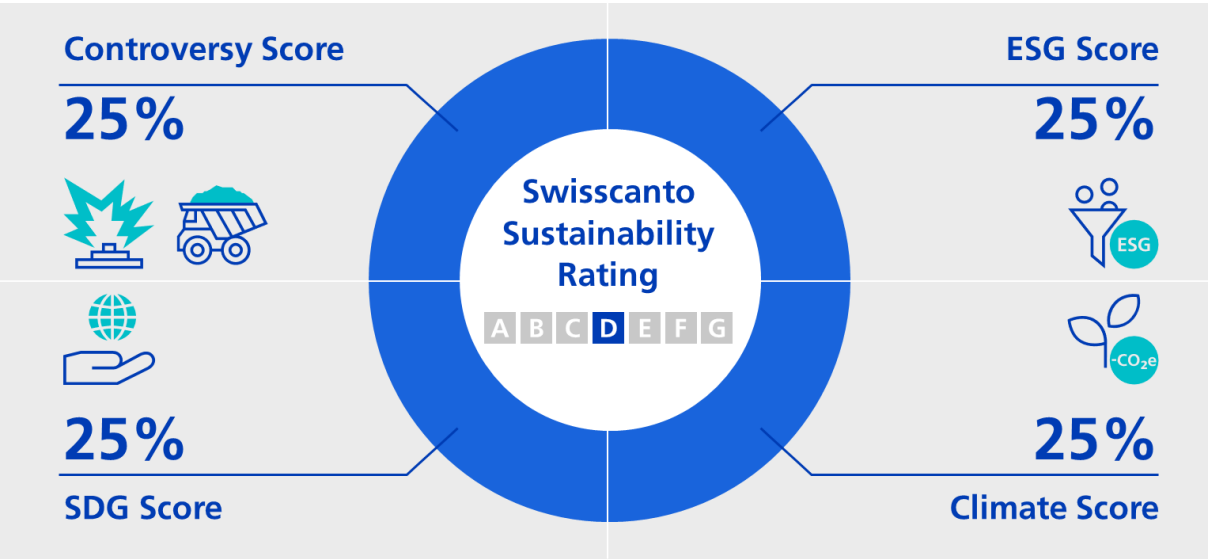
- Education
- Connectivity



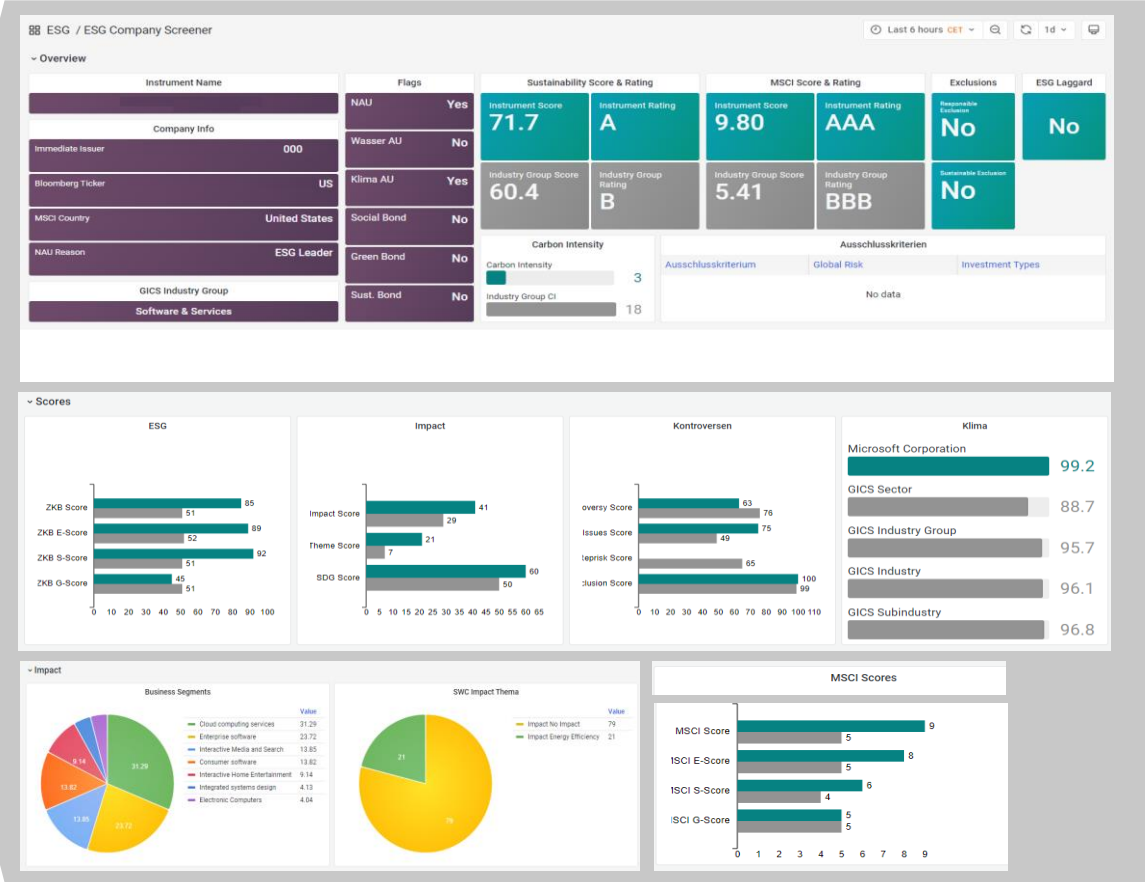
* Source: UN Principles Study: «The SDG investment case» <https://www.unpri.org/sdgs/the-sdg-investment-case/303.article>

Proprietary ratings and in-house tools provide Clarity

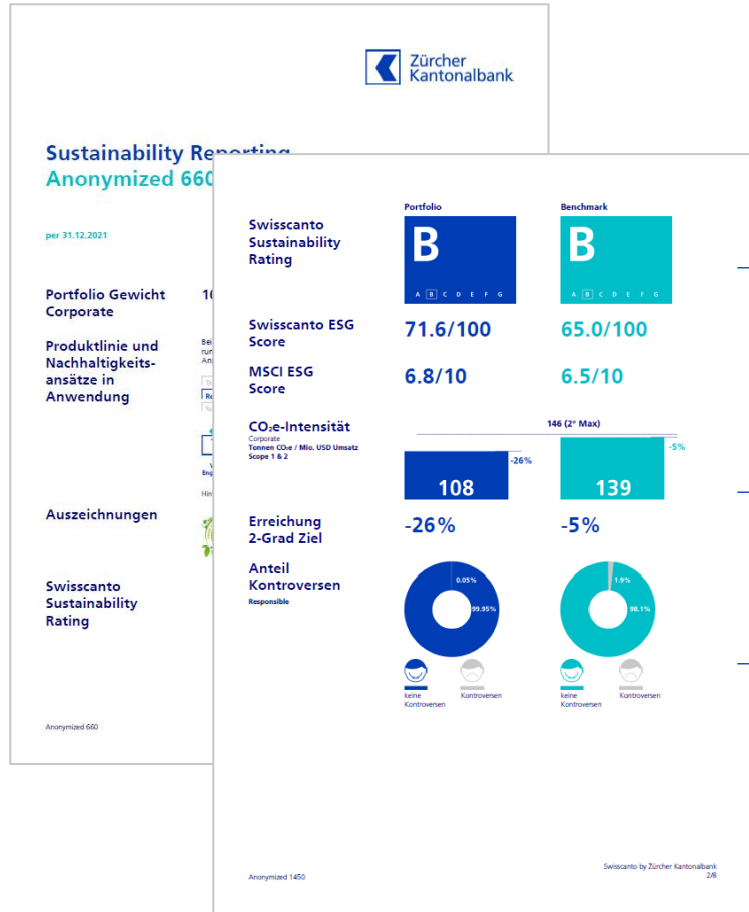
Sustainability is more than ESG



From data to context



Transparency through Sustainability Reporting



Swisscanto Sustainability Rating

- Classification of portfolio and benchmark into 7 sustainability grades (A to G)
- Available for corporates and states
- Based on four pillars of sustainability research

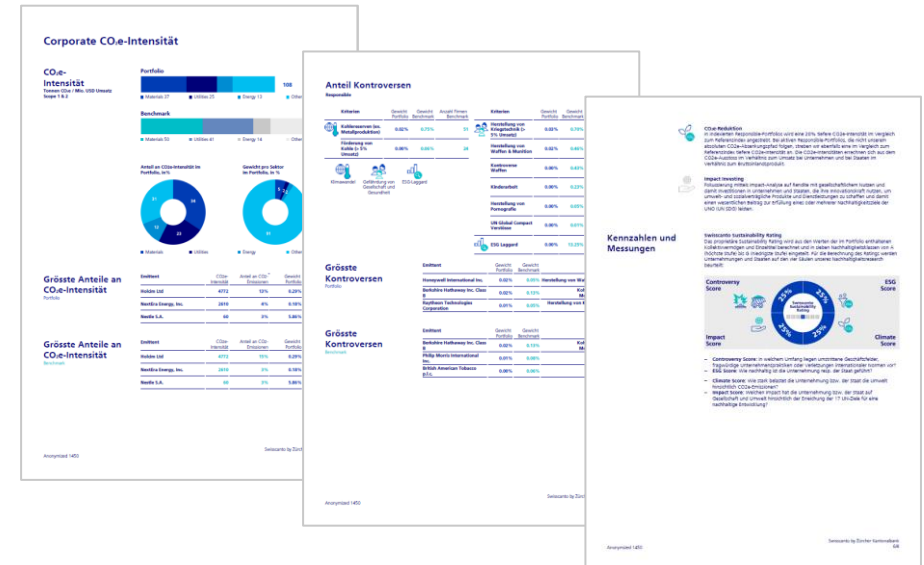
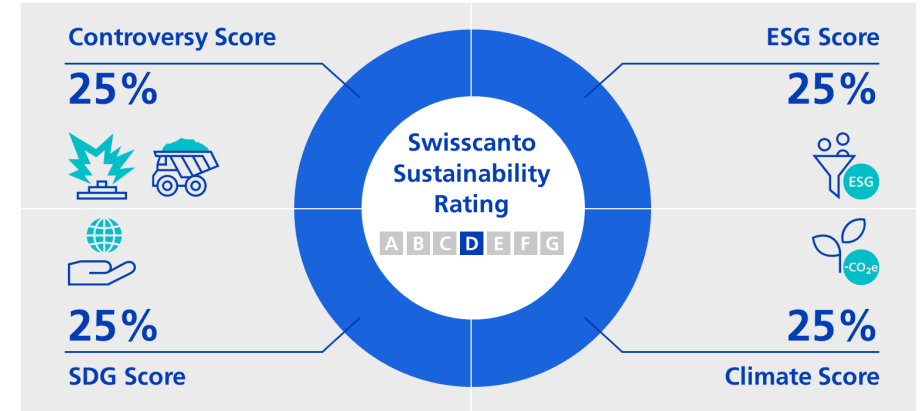
CO₂e-Intensity

- CO₂e-Intensity of portfolio and benchmark
- Passive Responsible aims for a 20% reduction
- Active portfolios are committed to the Paris Agreement targets

Share of controversies

- Exposure of portfolio and benchmark to controversial business segments and practices

Transparency



Our Offering

We leave (almost) no wishes unfulfilled

We are a powerhouse with a comprehensive and sustainable range of services and solutions

Actively managed solutions

Multi Asset	Fixed Income	Equities	Real Estate	Alternatives	Access
Relative return¹ <ul style="list-style-type: none"> – Strategies – classic – Pensions (BVG3) Systematic¹ <ul style="list-style-type: none"> – Strategies Protection 	CHF¹ <ul style="list-style-type: none"> – Total Market – Domestic, Foreign – Corporate – Mortgages – Switzerland Global¹ <ul style="list-style-type: none"> – High Grade – Corporate – Aggregate – High Yield – Emerging Market Debt – Money Market – Absolute Return Hybrids <ul style="list-style-type: none"> – CoCo – Corporate Hybrid 	Switzerland <ul style="list-style-type: none"> – Total Market – Small & Mid Caps Global¹ <ul style="list-style-type: none"> – World – Europe – North America – Asia-Pacific – Emerging Markets Themes¹ <ul style="list-style-type: none"> – Sustainable topics – Others (Infrastructure, Consumer, etc.) 	Direct Switzerland <ul style="list-style-type: none"> – Total Market – Domestic, Foreign – Corporate Indirect Switzerland	Private Equity <ul style="list-style-type: none"> – Private Equity – Switzerland 	Fonds <ul style="list-style-type: none"> – CH law – LUX / UCITs Investment foundation <ul style="list-style-type: none"> – AST vehicles LP <p>Limited partnership for collective investment schemes</p> Certificates
				Overlay Solutions	Individual mandates <ul style="list-style-type: none"> – Categories – Blended – Individual securities Cooperations <ul style="list-style-type: none"> – Modular access (building block system for institutional customers) – Volume models for CIOs
				Global <ul style="list-style-type: none"> – Currency – Tactical Allocation (TAA) – Tail Risk 	

We actively offer performance – in all respects

Our investment expertise, systems and processes are fully geared towards generating consistent and added value for our clients, while consistently incorporating sustainability criteria and climate objectives. Our robust and solid investment processes ensure continuity and stability at a high level.

All this with the aim of achieving sustainable added value for you.

■ Product line Responsible

¹ Product category includes offers from our product line Sustainable

We offer ambitious master builders an extensive toolbox of indexed building blocks

Investment solutions indexed

Multi Asset	Fixed Income	Equities	Real Estate	Alternatives	Access
Relative return – Pensions (BVG3)	CHF¹ – Total Market – Domestic, Foreign – 1-5Y Global¹ – High Grade – Corporate – Aggregate – Emerging Market Hard Currency Inflation-linked	Switzerland¹ – Total Market – Large Caps – Small & Mid Caps Global¹ – World – Europe – North America – Asia-Pacific – Emerging Markets	Indirect Switzerland Indirect World – Europe – North America – Asia-Pacific	Commodity – Mixed Precious Metals – Gold – Silver – Platinum – Palladium	Funds – CH law Investment foundation – AST vehicles Individual mandates – Categories – Blended – Individual securities Cooperations – Modular access (building block system for institutional customers) – Volume models for CIOs of third-party banks

World-wide index toolbox

With our indexed solutions, we not only offer a comprehensive range of products in terms of breadth and depth with modular access for institutional clients; what's inside is what's on the outside:

100% physical replication and thus the greatest possible security.

Our solutions guarantee that you will achieve the return and risk characteristics of the reference index in a targeted manner.

¹ Product category includes offers from our product line Responsible

Performance

Awards and recognitions

Outstanding investment performance, sustainable top performance.

We see ourselves as high-performance and ambitious partners at your side.

We are experienced experts in our field and top fit in all questions regarding investment solutions. We want to use our extensive know-how in a targeted and effective way. Performance-oriented, we always have our clients' results firmly in mind - and responsibly strive for the best.

We do not aim for short-term performance, but want to achieve a constant and long-term effect - with a continuous improvement in performance and lasting top performances that are sustainable.



Awards & recognitions encourage us in our efforts to improve further

Swiss Sustainable Funds Awards 2022

Best Asset Management Company: Zürcher Kantonalbank

Award 2022 for "Best Asset Management Company" after "Best Swiss Asset Management Company" in 2021. This annual award ceremony is organised by the Geneva Forum for Sustainable Investment and the Zurich Forum for Sustainable Investment. The award for the "Best Asset Management Company" is given to the asset manager that manages the most funds nominated for an award from the SWISS SUSTAINABLE FUND AWARDS (SSFA).



UNCTAD Sustainable Fund Awards 2021

Swisscanto (LU) Equity Fund Sustainable Global Climate

This fund helps in the fight against the greenhouse effect and was chosen as a particularly positive example from a universe of 4000 sustainable investment funds together with 3 other funds by an independent jury.

Asset Management Zürcher Kantonalbank

Swisscanto funds are regularly recognised with top rankings nationally and internationally.



We thank you for your trust.

We are there for you –

in person, on site & online

Your contact partners in Switzerland – Wholesale

Zurich, Eastern, Central and Northwestern Switzerland, Mittelland regions



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Your contact partners – Pension schemes



Ole Plüer,
Head Pension Funds



Martin Ballmann
Relationship Manager



Jürg Bertschi
Relationship Manager



Stefan Betschart
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Relationship Manager



Arthur Blaser
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Laurent Monod
Relationship Manager



Daniela Hugener
Relationship Manager



Stefan Klöti
Relationship Manager

Your contact partners – Pension funds and insurances



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Head Institutional Clients



Marc Hubler
Key Account Manager



Manuel Schnurrenberger
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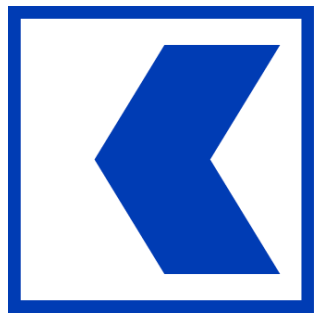
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