

# Climate: CO<sub>2</sub>e reduction

One of our sustainability approaches in the  
ZKB Discretionary Mandate and ZKB Portfolio Consulting  
(Classic, Premium, Expert)

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The CO<sub>2</sub>e reduction refers to reducing greenhouse gas emissions (such as carbon dioxide and methane) in the investment context. We are guided by the targets set out in the Paris Climate Agreement. This Agreement aims to limit global warming to well below 2 degrees Celsius compared to the pre-industrial level, while pursuing efforts to limit the temperature increase to 1.5 degrees Celsius.

## What does CO<sub>2</sub>e mean?

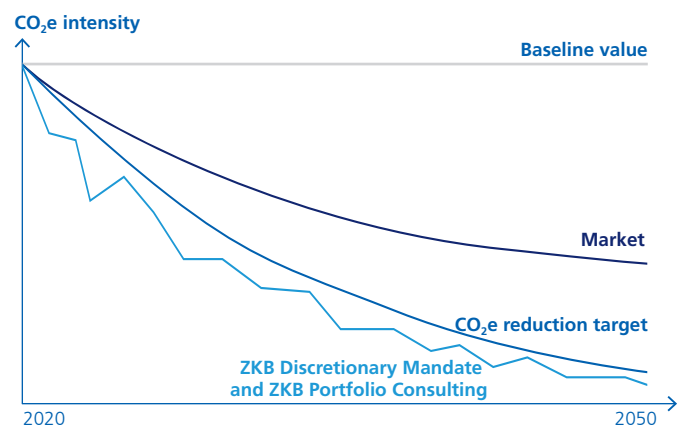
This abbreviation stands for CO<sub>2</sub> equivalents. In addition to the familiar carbon dioxide (CO<sub>2</sub>), CO<sub>2</sub> equivalents also include other greenhouse gases such as methane and nitrous oxide. As a unit of measurement, CO<sub>2</sub> equivalent measures the impact of various greenhouse gases on global warming.

## What does CO<sub>2</sub>e intensity mean?

CO<sub>2</sub>e intensity indicates how many tonnes of CO<sub>2</sub>e per USD 1 million in revenue companies emit or how many tonnes of CO<sub>2</sub>e per USD 1 million in gross domestic product countries emit.

## How is the CO<sub>2</sub>e reduction implemented in the ZKB Discretionary Mandates and ZKB Portfolio Consulting?

In the reference portfolios<sup>1</sup> of the ZKB Discretionary Mandates and ZKB Portfolio Consulting, we aim to reduce the CO<sub>2</sub>e intensity of the portfolio over time. The characteristics Basic and Individual Securities are guided by the target stipulated in the Paris Agreement of limiting global warming to below 2 °C compared to pre-industrial levels, while the



Source: Zürcher Kantonalbank

characteristic Responsible (ESG) is guided by the ambitious target of keeping global warming to a maximum of 1.5 °C. This ensures that the portfolio is aligned with a sustainability goal in addition to its financial objectives. The characteristic Index does not pursue a CO<sub>2</sub>e reduction target.

Since the client makes the investment decisions with the ZKB Portfolio Consulting and thus determines the composition of the advisory portfolio, the CO<sub>2</sub>e reduction of the client portfolio may differ from that of the corresponding reference portfolio. The client is informed about such deviations.

## How is the CO<sub>2</sub>e reduction calculated?

The CO<sub>2</sub>e reduction is calculated based on the CO<sub>2</sub>e reduction pathway methodology developed by Zürcher Kantonalbank. This methodology pursues the goal of reducing the portfolio's CO<sub>2</sub>e intensity by at least 4% per year for the characteristics Basic and Individual Securities or 7.5% for

the characteristic Responsible (ESG) plus nominal economic growth. The calculation is based on the effective (retrospective) emissions data from companies and countries<sup>2</sup> (Chart). We obtain this data from the external data provider MSCI ESG Research LLC. The calculation relates to the proportion of the portfolio for which corresponding data is available. Where no data is available (particularly for real estate, alternative investments, and structured products), a calculation is not possible. The proportion of considered investments is indicated in the investment report as the „considered portfolio proportion“.

For more information on our sustainability approaches, please contact your client advisor.

<sup>1</sup> The reference portfolio describes the investment decision made in the investment process. The ZKB Discretionary Mandates are invested in line with the reference portfolio. In the ZKB Portfolio Consulting the reference portfolio is used as an investment proposal and as the basis for comparison in portfolio monitoring.

<sup>2</sup> We consider the Scope 1 and 2 greenhouse gas emissions as defined by the Greenhouse Gas Protocol (GHG).

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