Pre-contractual disclosure

for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name:

ZKB Discretionary Mandate Premium International Responsible (ESG)

ZKB Discretionary Mandate Expert International Responsible (ESG)

Legal entity identifier: (LEI-Code): **165GRDQ39W63PHVONY02**

Version: **November 2023**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
☐ **Yes**	☒ **No**
☐ It will make a minimum of **sustainable investments with an environmental objective**: ____%	☒ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy.	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy.
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy.	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy.
	☒ with a social objective.
☐ It will make a minimum of **sustainable investments with a social objective:** ____%	☐ It promotes E/S characteristics, but **will not make any sustainable investments.**

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

What environmental and/or social characteristics are promoted by this financial product?

The characteristics promoted by this discretionary mandate include:

Minimum proportion of sustainable investments	A minimum proportion of 10% of the discretionary mandate is invested in investment instruments that contribute to one or more environmental and/or social objectives within the meaning of Article 2 No. 17 SFDR.
Climate: CO_2e-Reduction	Discretionary mandates aim to continuously reduce the CO_2e intensity of the portfolio, whereby an orientation towards the goal of maximum global warming of 1.5° C in accordance with the Paris Climate Agreement is pursued.
ESG integration	Sustainability risks and opportunities are systematically assessed and taken into account when constructing the discretionary mandate portfolio and selecting investment instruments.
Avoidance of controversies	In discretionary mandates controversial business activities and business practices are avoided where possible. Controversial business activities include ▪ Controversial weapons: Companies with ties to cluster munitions, landmines, biological or chemical weapons, uranium munitions, blinding laser weapons, incendiary weapons and/or nuclear weapons ▪ Conventional weapons: Companies with turnover ≥ 5% from the manufacture of conventional weapons systems and components and those with turnover ≥ 15% from supply and service business ▪ Thermal coal: Companies with turnover ≥ 10% from the extraction of thermal coal or its sale to third parties Controversial business practices are defined as violations of the 10 principles of the UN Global Compact (United Nations (UN) standard on human and labour rights, environmental standards and anti-corruption).
Stewardship	In discretionary mandates, particular attention is paid to selecting investment funds whose fund management companies utilise Voting and Engagement to exert an effective influence on the sustainability policy of the companies in which they invest.
SDG aligned investing	The Sustainable Development Goals (SDGs) are the UN's 17 goals for sustainable development. In discretionary mandates, a minimum of 5% of the portfolio is invested in companies whose products/services contribute to one or more of the goals.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

Minimum proportion of sustainable investments	When selecting investment instruments for discretionary mandates, it is continuously ensured that a minimum proportion of 10% of the portfolio is invested in investment instruments that contribute to one or more environmental and/or social objectives within the meaning of Article 2 No. 17 SFDR. Compliance with the minimum proportion is monitored on an ongoing basis. Any shortfalls that may arise due to market movements are corrected at short notice.
Climate: CO_2e-Reduction	When selecting the investment instruments in discretionary mandates, it is continuously ensured that the CO_2e emissions of the companies invested in are reduced annually by 7.5% plus global GDP growth (calculated on the basis of the 3-year moving average of the nominal GDP of the IMF). The calculation relates exclusively to the portion of the portfolio for which corresponding data is available.
ESG integration	ESG integration in discretionary mandates is based on the MSCI ESG rating of the investment instruments used and the entire portfolio. The ESG rating provides information on the extent to which companies are exposed to sustainability risks and opportunities and how they address them. A minimum rating of A is continuously maintained for the entire portfolio. In addition, investment instruments with a rating of < BB are excluded. The MSCI ESG rating at portfolio level is made up of the ratings of the individual investment instruments. If the reference portfolio also contains unrated investment instruments (e.g. alternative investments), the weights of the remaining investment instruments with a rating are scaled to 100% of the portfolio. This ensures a correct comparison between the different reference portfolios. In total, at least 75% of the reference portfolio must have a rating.
Avoidance of controversies	In discretionary mandates controversial business activities and business practices are avoided where possible. Controversial business activities include ▪ Controversial weapons: Companies with ties to cluster munitions, landmines, biological or chemical weapons, uranium munitions, blinding

	laser weapons, incendiary weapons and/or nuclear weapons ■ Conventional weapons: Companies with turnover ≥ 5% from the manufacture of conventional weapons systems and components and those with turnover ≥ 15% from supply and service business ■ Thermal coal: Companies with turnover ≥ 10% from the extraction of thermal coal or its sale to third parties Controversial business practices are defined as violations of the 10 principles of the UN Global Compact (United Nations (UN) standard on human and labour rights, environmental standards and anti-corruption).
SDG aligned investing	In discretionary mandates, a minimum proportion of 5% of the portfolio is invested in companies whose products/services contribute to one or more of the goals.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

The minimum proportion of 10% of the portfolio that is used for sustainable investments is invested in economic activities that contribute to one or more environmental and/or social objectives in accordance with Art. 2 No. 17 SFDR and do not significantly harm any other of these objectives.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

How have the indicators for adverse impacts on sustainability factors been taken into account?

The principal adverse impacts on sustainability factors (PAI) are taken into account for a minimum proportion of 67% of the portfolio. At least one PAI indicator from each of the following two indicator groups is taken into account:

"Environment" indicator group
PAI 1 GHG emissions
PAI 2 Carbon footprint
PAI 3 GHG intensity of investee companies
PAI 4 Exposure to companies active in the fossil fuel sector
PAI 5 Share of non-renewable energy consumption and production
PAI 6 Energy consumption intensity per high impact climate sector
PAI 7 Activities negatively affecting biodiversity-sensitive areas
PAI 8 Emissions to water
PAI 9 Hazardous waste and radioactive waste ratio
PAI 15 GHG intensity
PAI 17 Exposure to fossil fuels through real estate assets
PAI 18 Exposure to energy-inefficient real estate assets

"Social and employee matters" indicator group
PAI 10 Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
PAI 11 Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
PAI 12 Unadjusted gender pay gap
PAI 13 Board gender diversity
PAI 14 Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)
PAI 16 Investee countries subject to social violations

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Data from MSCI ESG Research LLC, which fulfils the requirements of Art. 2 No. 17 SFDR, is used as the basis for the minimum proportion of 10% sustainable investments in the portfolio. This also includes ensuring that the investments do not conflict with social objectives.

In addition, controversial business practices (i.e. investments that violate the principles of the UN Global Compact, such as in the areas of human rights, labour standards, the environment and anti-corruption) are avoided wherever possible when considering controversies.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes,

the principal adverse impacts on sustainability factors (PAI) are taken into account for a minimum proportion of 67% of the portfolio. At least one PAI indicator from each of the following two indicator groups is taken into account:

"Environment" indicator group
PAI 1 GHG emissions
PAI 2 Carbon footprint
PAI 3 GHG intensity of investee companies
PAI 4 Exposure to companies active in the fossil fuel sector
PAI 5 Share of non-renewable energy consumption and production
PAI 6 Energy consumption intensity per high impact climate sector
PAI 7 Activities negatively affecting biodiversity-sensitive areas
PAI 8 Emissions to water
PAI 9 Hazardous waste and radioactive waste ratio
PAI 15 GHG intensity
PAI 17 Exposure to fossil fuels through real estate assets
PAI 18 Exposure to energy-inefficient real estate assets

"Social and employee matters" indicator group
PAI 10 Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
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PAI 13 Board gender diversity
PAI 14 Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)
PAI 16 Investee countries subject to social violations

☐ No

What investment strategy does this financial product follow?

As part of the discretionary mandate, investments are made in equities, bonds, liquidity and other asset classes (commodities and gold). Five investment strategies (Relax, Select, Balance, Ambition and Focus) and three reference currencies (CHF, EUR and USD) are offered.

The asset class allocations are as follows:

	Relax	Select	Balance	Ambition	Focus
Fixed-interest (incl. liquidity)	50-95%	45-95%	30-70%	5-60%	0-30%
Equities	5-30%	10-35%	20-65%	40-85%	50-95%
Other asset classes	0-25%	0-25%	0-25%	0-25%	0-25%

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

Minimum proportion of sustainable investments	When selecting investment instruments for discretionary mandates, it is continuously ensured that a minimum proportion of 10% of the portfolio is invested in investment instruments that contribute to one or more environmental and/or social objectives within the meaning of Article 2 No. 17 SFDR. Compliance with the minimum proportion is monitored on an ongoing basis. Any shortfalls that may arise due to market movements are corrected at short notice.
Climate: CO_2e-Reduction	When selecting the investment instruments in discretionary mandates, it is continuously ensured that the CO_2e emissions of the companies invested in are reduced annually by 7.5% plus global GDP growth (calculated on the basis of the 3-year moving average of the nominal GDP of the IMF). The calculation relates exclusively to the portion of the portfolio for which corresponding data is available.
ESG integration	A minimum rating of A (according to the MSCI ESG rating) is continuously maintained for the entire portfolio. In addition, investment instruments with a rating of < BB are excluded.
Consideration of principal adverse impacts (PAI) on sustainability factors	The principal adverse impacts on sustainability factors (PAI) are taken into account for a minimum proportion of 67% of the portfolio. At least one PAI indicator from each of the following two indicator groups is taken into account: "Environment" indicator group PAI 1 GHG emissions PAI 2 Carbon footprint PAI 3 GHG intensity of investee companies PAI 4 Exposure to companies active in the fossil fuel sector

	PAI 5 Share of non-renewable energy consumption and production PAI 6 Energy consumption intensity per high impact climate sector PAI 7 Activities negatively affecting biodiversity-sensitive areas PAI 8 Emissions to water PAI 9 Hazardous waste and radioactive waste ratio PAI 15 GHG intensity PAI 17 Exposure to fossil fuels through real estate assets PAI 18 Exposure to energy-inefficient real estate assets "Social and employee matters" indicator group PAI 10 Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises PAI 11 Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises PAI 12 Unadjusted gender pay gap PAI 13 Board gender diversity PAI 14 Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) PAI 16 Investee countries subject to social violations
SDG-aligned Investing	In discretionary mandates, a minimum proportion of 5% of the portfolio is invested in companies whose products/services contribute to one or more of the goals.

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

In the discretionary mandates, an active investment strategy is pursued without a reference universe. It is not possible to quantify the minimum rate of change of the volume of investable investments.

What is the policy to assess good governance practices of the investee companies?

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

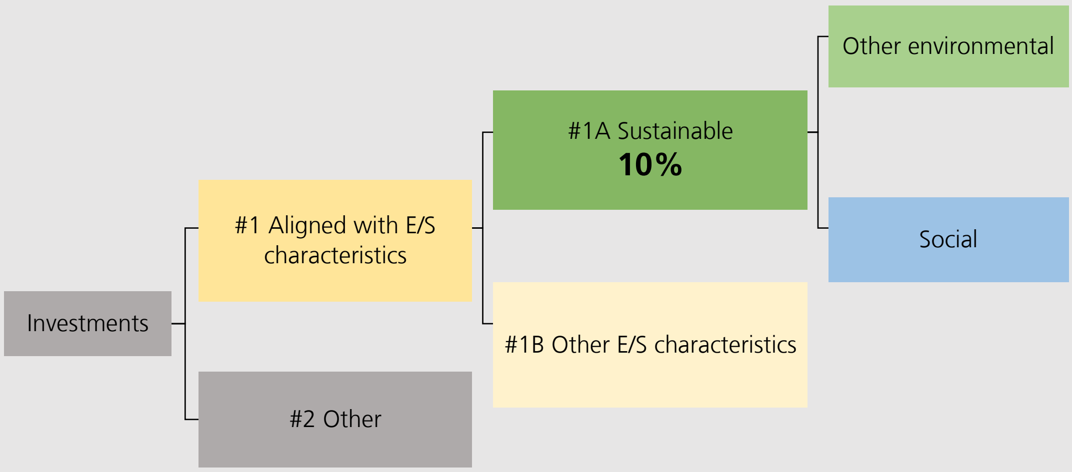
Data from MSCI ESG Research LLC, which fulfils the requirements of Art. 2 No. 17 SFDR, is used as the basis for the minimum proportion of 10% of sustainable investments in the portfolio. This also includes the consideration of good corporate governance.
In addition, good corporate governance practices are taken into account throughout the portfolio by considering the MSCI ESG rating as part of ESG integration.

Finally, investments in companies with controversial business practices (i.e. companies that violate the principles of the UN Global Compact, such as in the areas of human rights, labour standards, the environment and anti-corruption) are avoided wherever possible in the discretionary mandate.

Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

The asset allocation is broadly diversified both geographically and across different asset classes: A minimum of 10% of the portfolio is invested in investment instruments that contribute to one or more environmental objectives and/or social objectives within the meaning of Article 2 No. 17 SFDR.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.
#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category #1 Aligned with E/S characteristics covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Exceptionally, derivatives may be used to a small extent for hedging purposes. However, these do not pursue any ecological and/or social characteristics.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

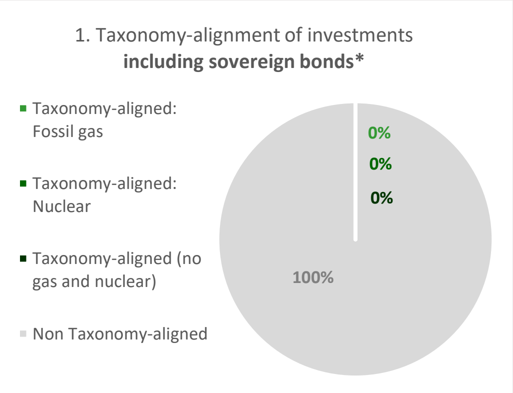
The discretionary mandates do not pursue sustainable investments in accordance with the EU taxonomy.

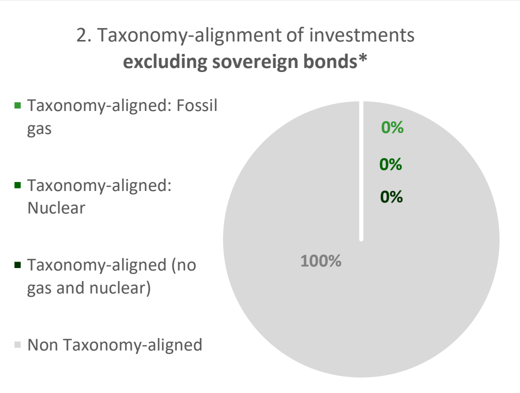
Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU taxonomy[1]?

☐ Yes
☐ In fossil gas ☐ In nuclear energy

☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





**For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

What is the minimum share of investments in transitional and enabling activities?

No investments in transitional activities and enabling activities are pursued in the discretionary mandate.

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

No minimum proportion is set specifically for sustainable investments with an environmental objective. The minimum proportion of sustainable investments within the meaning of Art. 2 No. 17 SFDR is 10%. No distinction is made between environmental and social objectives.

What is the minimum share of socially sustainable investments?

No minimum proportion is set specifically for socially sustainable investments. The minimum proportion of sustainable investments within the meaning of Art. 2 No. 17 SFDR is 10%. No distinction is made between environmental and social objectives.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

Investments may be made in assets that do not comply with the promoted environmental and/or social characteristics. These assets may include all investments provided for in the specific investment policy, including derivatives for hedging purposes and liquid assets, and are used to pursue the investment strategy of the financial product. No principles of minimum environmental or social safeguards apply to these investments.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No.

Where can I find more product specific information online?

Further information on the product-related sustainability policy can be found on the following website: zkb.ch/SFDR-disclosures