

Climate targets for our equity funds

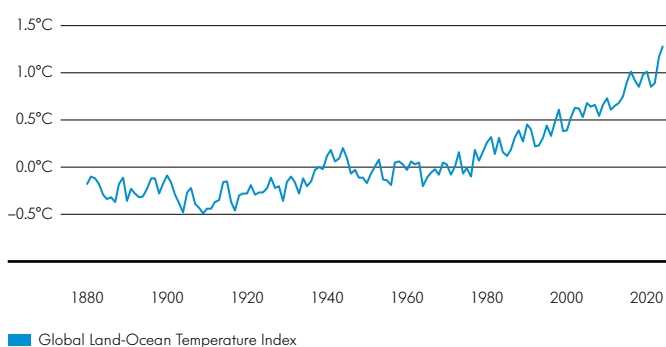
We are conscious of our responsibility towards the environment, society and future generations. With a holistic approach, we are committed to underpinning our business with ethical principles as well as social and environmental responsibilities, thereby fostering sustainable and beneficial development. By doing so we create added value – for our stakeholder groups and for the environment.

Based on the emissions data for 2022, Zuger Kantonalbank's equity funds are pursuing a reduction target of –35 percent in CO₂e intensity by 2030.

Why the topic is of material importance

Climate change remains the most pressing environmental issue. It has been scientifically proven that the earth's surface has been getting warmer for more than a century now. In the absence of any change to current patterns of behaviour, the average global temperature will increase even further by 2100 compared to pre-industrial levels. The unabated emission of greenhouse gases is leading to problems that are impacting the environment, health and society. These include extreme weather events such as heatwaves, droughts, storms and floods, as well as the loss of biodiversity.

Global temperature development
(relative to average of 1951–1980)



The overarching goal of the 2015 Paris Agreement is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. For the defined target of a maximum of 1.5°C to be achieved with a high degree of probability, only about 1,000 gigatons of greenhouse gases (CO₂e, CO₂ equivalents) may be emitted

according to calculation models¹ from the NGFS (Network of Central Banks and Supervisors for Greening the Financial System). If only carbon emissions (CO₂) are taken into account, the remaining global budget is much lower.

Reduction target for our equity funds

The investment business is a central pillar of Zuger Kantonalbank's business model. As a financial services provider, we have an indirect ability – via clients' investments, notably in the case of asset management and in-house products – to steer capital and financial flows and therefore the potential or actual impacts of the financed companies on the sustainable development of the economy, the environment and society.

Based on the emissions data for 2022, an aggregate targeted reduction of –35 percent in CO₂e intensity (Scopes 1 + 2) by 2030 was formulated for Zuger Kantonalbank's in-house equity funds. Due to lack of availability and data quality, there are no plans as yet to take into account Scope 3 emissions data. The reference values for the reduction pathways are based on the CO₂e intensities (Scope 1 + 2) of the respective benchmark indices of the equity funds as at the end of 2022. The bank's Sustainability

Emission categories (scopes)

Greenhouse gas emissions can be broken down into the following three categories:

Scope 1: Direct carbon dioxide emissions from sources owned or controlled by an institution, e.g. the burning of fossil fuels in factories or emissions from an institution's own vehicles.

Scope 2: Indirect carbon emissions connected with electricity consumed at an institution's facilities.

Scope 3: All other indirect emissions connected with the activities of company facilities but which are derived from sources that do not belong to or are not controlled by the institution (e.g. commuting and waste disposal).

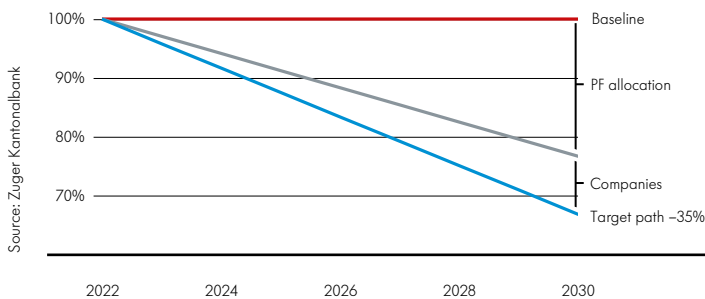
¹REMIND NGFS Net Zero 2025 Model

Report (www.zugerkb.ch/sustainability) shows the result at the end of the year.

Implementation

Although some of the CO₂e reductions in the market will be made by the companies themselves, estimates indicate that this contribution will not be sufficient to achieve the bank's objectives. Fund investments therefore need to be managed via capital allocations too. This can be achieved, for example, by reducing CO₂e-intensive companies without a strategy for reducing CO₂e emissions and by accumulating CO₂e-efficient companies and those with ambitious reduction targets.

Joint contribution to CO₂e reduction



Calculation basis

Our calculations are based on CO₂e intensity. This is the volume of greenhouse gas emissions caused by a company or a portfolio. CO₂e intensity is based on historical data and does not give any indication of possible future development. CO₂e intensity is defined as CO₂e emissions in tonnes divided by a company's sales in millions of US dollars and is determined for each company based on the calculated emission levels. This makes it possible to compare the results of different-sized companies. All our calculations are based on data from MSCI ESG Research LLC.

CO₂ equivalents (CO₂e) are a unit of measurement for standardising the climate impact of different greenhouse gases. Carbon dioxide (CO₂) is the main anthropogenic greenhouse gas; others include methane (CH₄) and nitrous oxide (N₂O). These are expressed as CO₂ equivalents in terms of their contribution to global warming. The calculations are based on the global warming potential of each gas compared with CO₂ over a certain period. CO₂e makes it possible to standardise certain greenhouse gases in a single unit and facilitates a comparison of their effects in terms of climate change.

Publications

Other publications on the topic of ESG can be found at www.zugerkb.ch/en/esg.

We are signatories to or members of the following organisations

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