

ZKB Sustainable Investments

Weighing long-term climate risks in your portfolio

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Agenda



1

ZKB Sustainable Investments



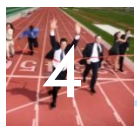
2

Managing Climate Change Risks



3

Sustainable Theme Investments - ZKB MeinIndex Nachhaltigkeit



4

Conclusion

Agenda



ZKB Sustainable Investments

Zurich Cantonal Bank (ZKB) – in a glance

- Largest cantonal bank, among the leading financial service providers in Switzerland
- Total Assets: CHF 126 bio
- Client Assets: CHF 165 bio
- Employees: 4'972
- Network: 103 outlets
- S&P Rating: AAA
- Moody's: Aaa
- Fitch: AAA
- Public service mandate with a commitment to sustainability



Sustainability as ZKB's integrated business principle

Sustainable Development

Environmental
Commitment



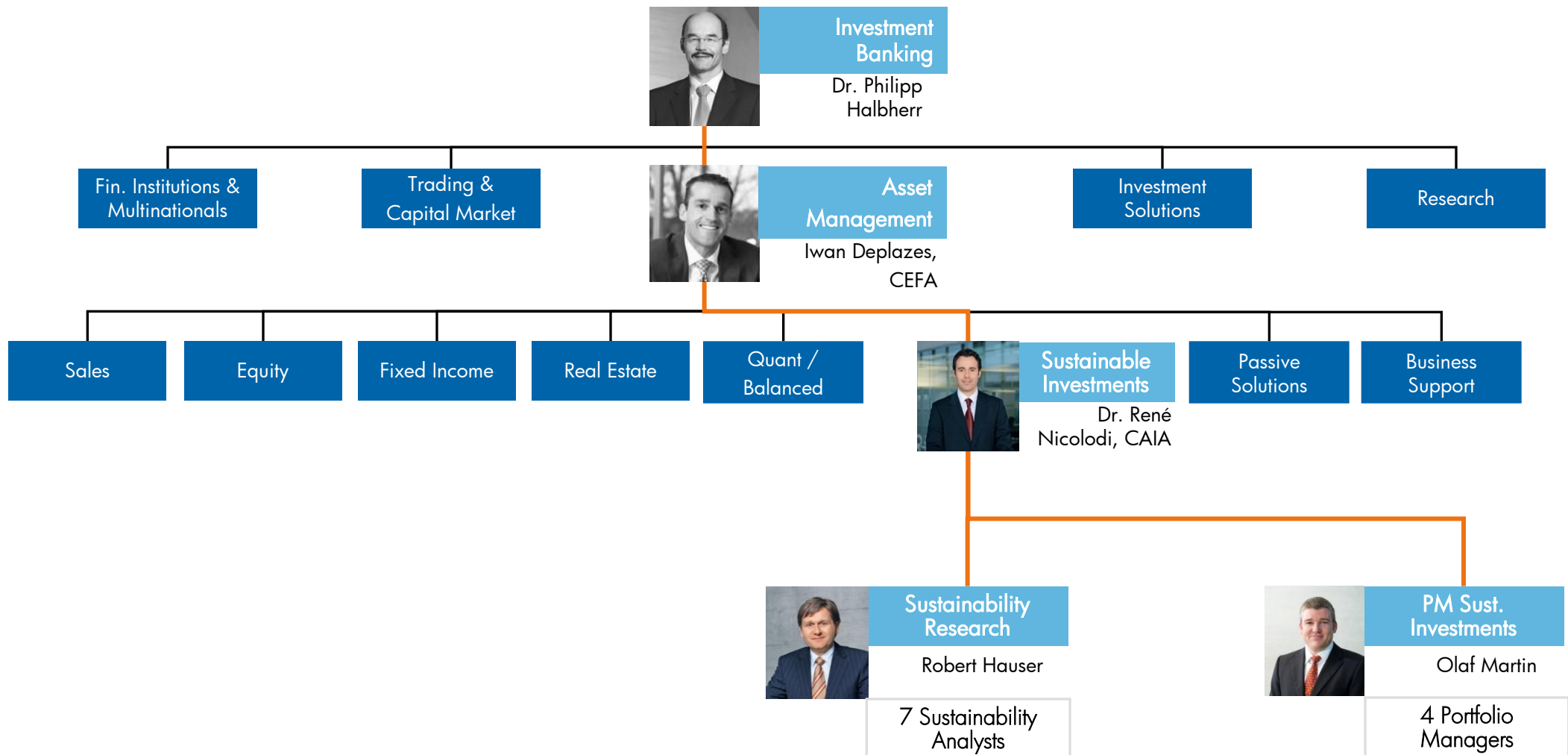
Social
Commitment



Economical
Commitment



ZKB Sustainable Investments – since 1996



ZKB Sustainable Investments: Funds & Index Trackers

EQUITIES

BALANCED

FIXED INCOME

Institutional clients

Aktien Welt und Schweiz nachhaltig

ZKB Balanced nachhaltig

Obligationen CHF nachhaltig

Thematic Indices 'ZKB MeinIndex NH'

Obligationen Fw nachhaltig

Private clients

ZKB Nachhaltigkeits Vision Fonds

ZKB Fonds Ausgewogen Nachhaltigkeit

ZKB Fonds Zinsertrag Nachhaltigkeit

ZKB Innovatoren Nachhaltigkeits Fonds

ZKB Fonds Einkommen Nachhaltigkeit

ZKB Fonds Kapitalgewinn Nachhaltigkeit

ZKB Fonds Wachstum Nachhaltigkeit

ZKB MeinIndex NH Energieeffizienz

ZKB MeinIndex NH Energieerzeugung

ZKB MeinIndex NH Mobilität

ZKB MeinIndex NH Ressourcen

ZKB MeinIndex NH Solar

ZKB MeinIndex NH Wasser

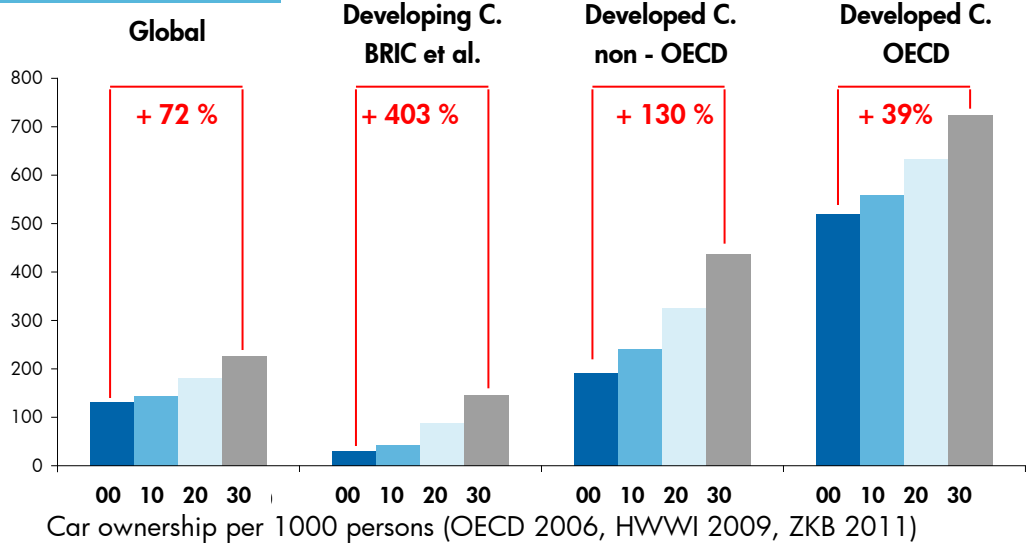
ZKB MeinIndex NH Wind

Agenda

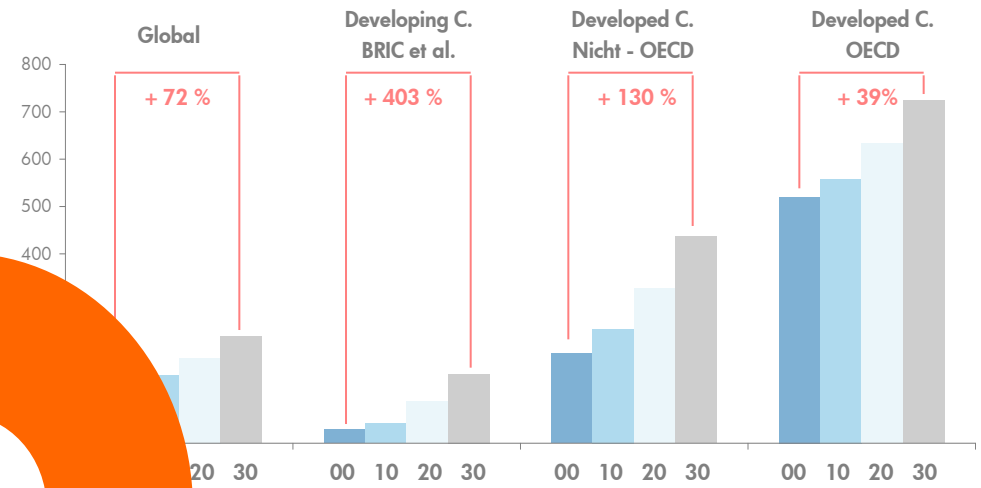
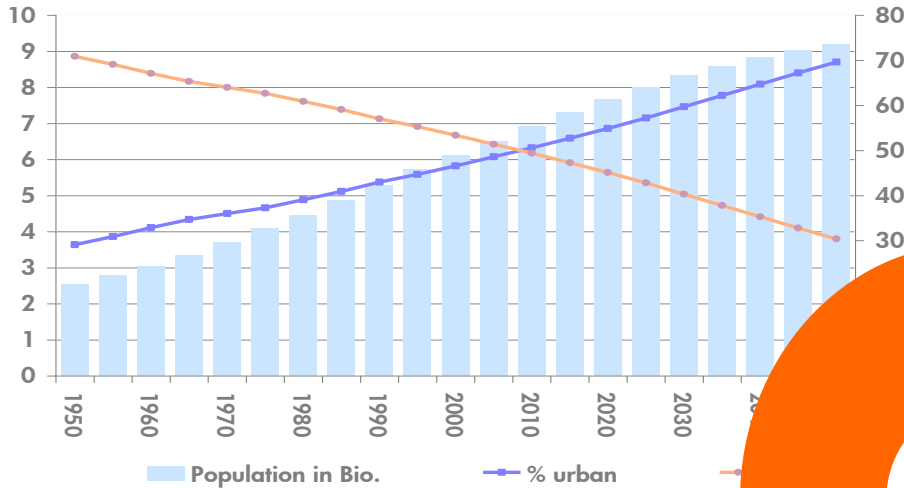


Managing Climate Change Risks

Long-term challenges for the future

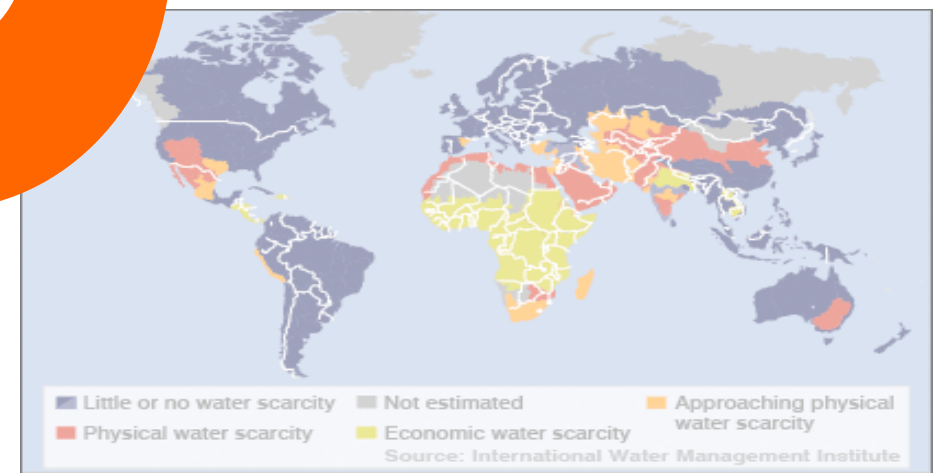


Climate change as a long-term, complex challenge

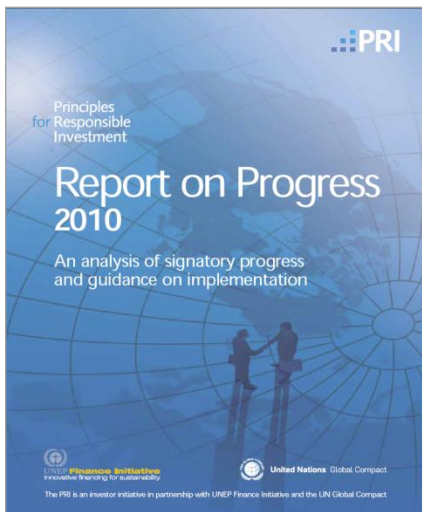
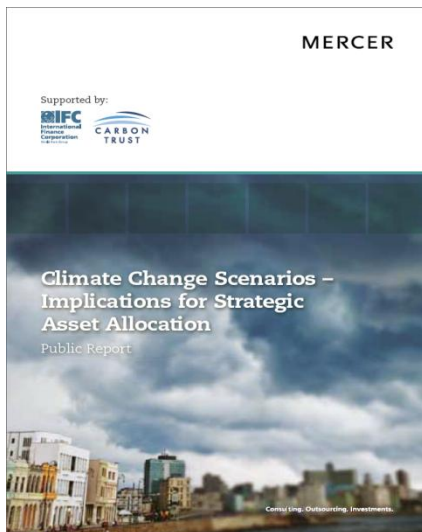


	1990	2007	2020	2030	1990-2030
USA	4.8	5.7	5.5	5.5	
China	2.2	6.1	9.6	11.6	
Russland	2.2	1.6	1.7	1.9	-4%
Japan	1.1	1.2	1.0	1.0	-9%
Indien	0.6	1.3	2.2	3.4	467%
EU	4.0	3.9	3.6	3.5	-13%
OECD	11.4	13.1	12.5	12.7	11%
Welt	20.9	28.8	34.5	40.2	92%

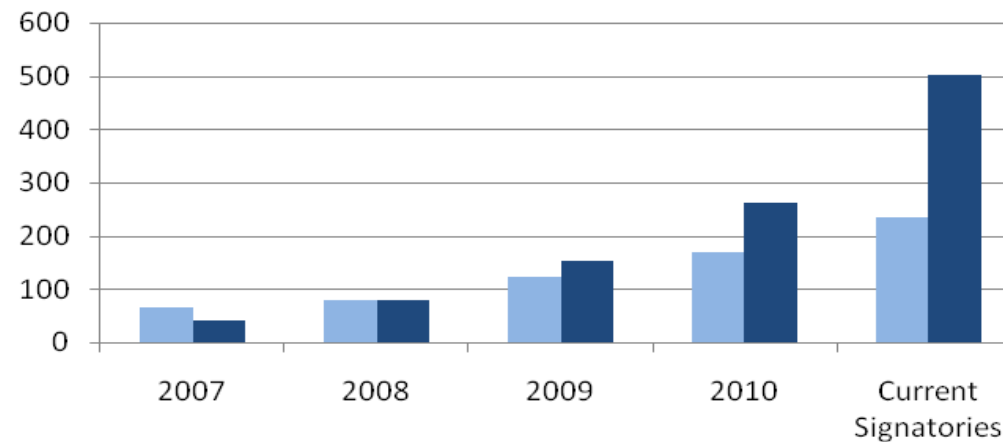
CO2-Emissions in Bio. tona (World Energy Outlook 2009; Referencescenario)



Connecting climate change and the investment context ...



- Climate change risks contribute up to 10 % of total risk in an average portfolio
- Required technology investments of up to USD 5 bio
- Direct impact costs up to USD 3 bio and indirect costs from delayed political action up to USD 8 bio
- Regional divergence most likely scenario (e.g. EU & China diverging from US)



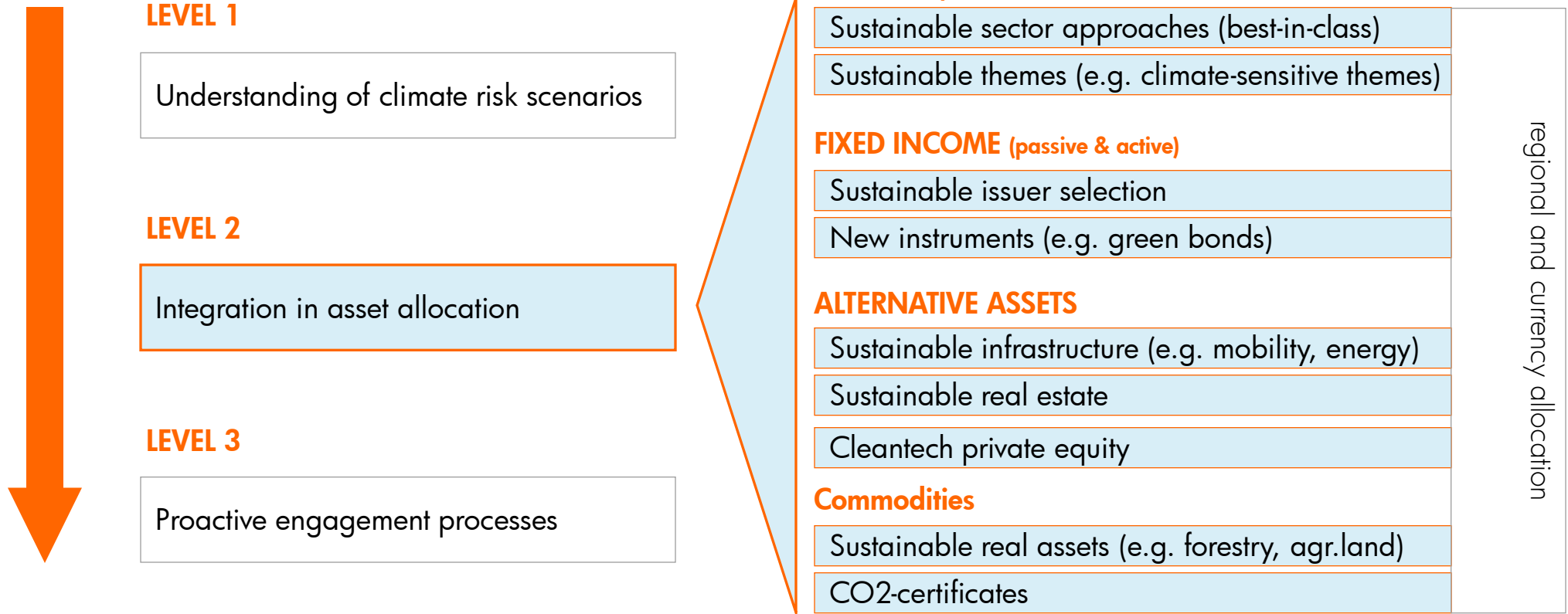
■ Asset Owners ■ Investment Managers

... & integrating it into mainstream investment processes

Mercer (3/2011)

Implementation levels

Sustainable asset allocation options



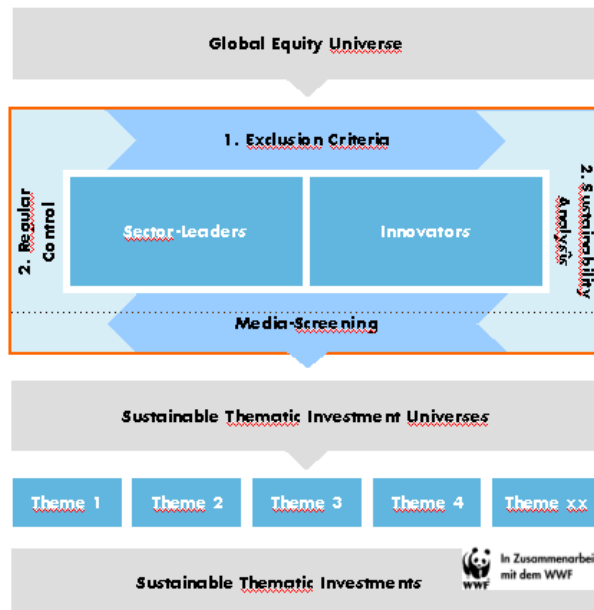
Agenda



Sustainable Theme Investments - ZKB MeinIndex Nachhaltigkeit

ZKB MeinIndex Nachhaltigkeit

Value chain



a. Main Quantitative Filters:

- Free Float > CHF 100 Mio
- Mcap. > CHF 100 Mio.

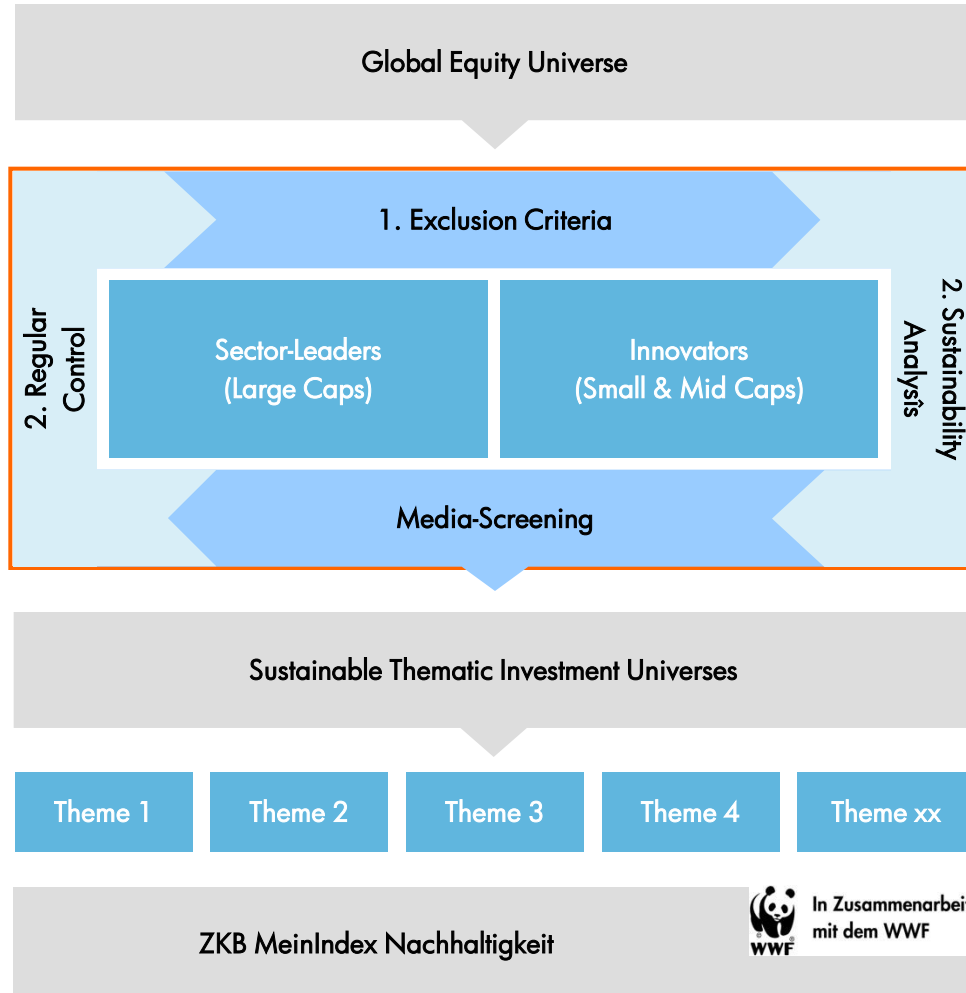
b. Main Scoring Areas:

Valuation	40 %
Momentum	25 %
Profitabilität	25 %
Risiko	10 %

- a. Research review
- b. Quant. review
- c. Regular rebalancing

ZKB MeinIndex Nachhaltigkeit

Systematic sustainability analysis and thematic universe definition



Quality and Coverage

1. External raw-data providers
2. Proprietary research and internal analysis capacity



Integrated Analysis

Experienced sustainability research in close cooperation with a SRI-dedicated portfolio management management team



Sustainability Research
Robert Hauser



PM Sustainable Investments
Olaf Martin



ZKB MeinIndex Nachhaltigkeit

Seven long-term themes for your portfolio

ZKB MeinIndex Nachhaltigkeit

7 Themes

Portfolio Categories



ZKB MeinIndex Nachhaltigkeit

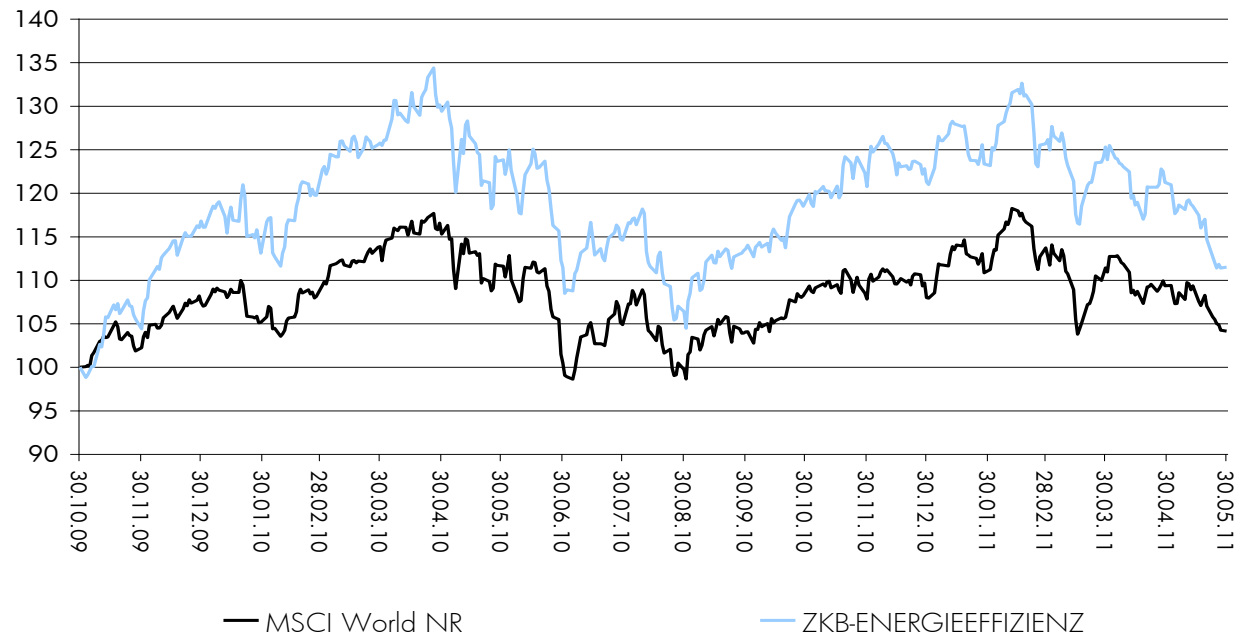
Energy Efficiency

ENERGY-EFFICIENCY

Energie Hersteller Mustermarke
 Niedriger Verbrauch
 A+
 A
 B
 C
 D
 E
 F
 G
 Hoher Verbrauch

Stocks Universe	106
Stocks Index	25
Return (since 30.10.09*)	11.5
Risk (since 30.10.09*)	18.9
SMC % (Small/MidCap)	28
Cert. Dividends	100 % reinvested
Cert.-Structure	open-end Tracker
Cert.-Fee p.a.	R:0.90 % / I:0.50 %

Data until 30.05.2011



ENERGY EFFICIENCY DRIVERS

- High energy reduction potentials
 - ✓ Electric appliances
 - ✓ Lighting
 - ✓ Buildings
- Highly cost-efficient
- Strong regulatory support



ZKB MeinIndex Nachhaltigkeit

Flexible integration of sustainability themes into SAA / TAA

Implementation levels

LEVEL 1

Understanding of climate risk scenarios

LEVEL 2

Integration in asset allocation

LEVEL 3

Proactive engagement processes

Sustainable asset allocation options

EQUITIES (passive & active)

Sustainable sector approaches (best-in-class)

SUSTAINABLE THEMES

FIXED INCOME (passive & active)

Sustainable issuer selection

New instruments (e.g. green bonds)

ALTERNATIVE ASSETS

Sustainable infrastructure (e.g. mobility, energy)

Sustainable real estate

Cleantech private equity

Commodities

Sustainable real assets (e.g. forestry, agr. land)

CO2-certificates

7 Themes



Actions to consider according to Mercer

- Allocation of sustainable assets and sustainable themes
- Consideration of a wider pool of passive options
- Engage with fund managers and policymakers
- Understand risks & opportunities

Value ZKB MeinIndex Nachhaltigkeit

- Dynamic allocation possibilities (SAA/ TAA)
- Cost-efficient instruments to gain climate change exposure
- Transparent investment process
- Experienced sustainability research

Agenda



Conclusion

ZKB Sustainable Investments

- ☑ Sustainability as a leading business principle
- ☑ In-house sustainability research since 1996 and proprietary research methodology
- ☑ Core competence and innovation in sustainable investments
- ☑ Diversified product offering including sustainable schemes
- ☑ WWF cooperation

"Sustainable Investing is probably the most important and successful development in modern asset management." Joseph Stiglitz (2010)



Your Contacts

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Addendum

ZKB MeinIndex Nachhaltigkeit

Overview and main characteristics

	SOLAR	WIND	ENERGY-EFFICIENCY	ENERGY-PRODUCTION	RESOURCES	WATER	MOBILITY
							
Stocks Universe	51	22	106	28	68	65	70
Stocks Index	24	11	25	20	20	20	25
Return (since 30.10.09*)	-24.4	-39.5	11.5	-17.4	8.1	6.7	11.3
Risk (since 30.10.09*)	26.6	21.9	18.9	17.1	16.3	15.9	17.8
SMC % (Small/MidCap)	100	91	28	55	75	45	40
Bloomberg	ZKBSOLR	ZKBWIND	ZKBENRG	ZKBINHEN	ZKBIRESS	ZKBIWASS	ZKBIMOBL
Cert.-Structure	Open End Tracker-Certificates ; Dividends 100 % reinvested						
Cert.-Fee p.a.	Retail clients: 0.90 % / Institutional clients: 0.50 %						

Data until 30.05.2011

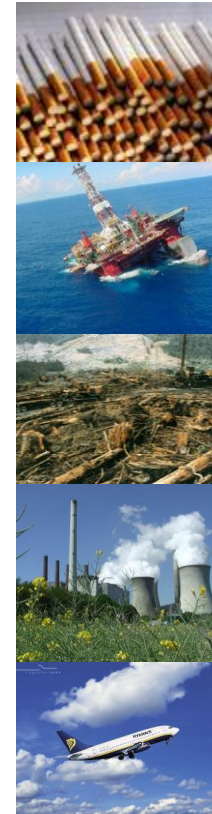
Exclusion Criteria

Exclusion criteria



The following industrial activities are excluded from all ZKB sustainable investment production (without additional sales provisions):

- Fossil fuel production
- Operation of nuclear and fossil-fuel power plants
- Automobile production
- Airline operations
- Non-sustainable forestry (without FSC-label)
- GMO release
- Weapon production
- Tobacco production



Sector-Leader approach

ESG research coverage:
over 3000 companies



ZKB EXCLUSION CRITERIA

ENVIRONMENTAL

- Environmental data
- CO2-Emissions
- Water
- Waste
- Data quality
- Environmental Mgmt
- Environmental Resp.
- Suppliers

SOCIAL

- Reputational Risks
- Employee conditions
- Diversity issues
- Health and safety record
- Stakeholder relations
- Human Rights

GOVERNANCE

- Corporate ethics
- Shareholder rights
- Remuneration
- Management responsibility
- Transparency
- Control systems
- Reporting

PRODUCT ANALYSIS / SECTORIAL MARKET DRIVERS

SUSTAINABLE INVESTMENT UNIVERSE



Quantitative
Process

Qualitative
Process