

SECOND PARTY OPINION (SPO)

Re-verification of the Framework and the Sustainability Quality of
the Issuer and Green Bond Asset Pool

Zürcher Kantonalbank
7 April 2020

Contents

ISS ESG Evaluation of the Green Bond	3
ISS ESG Assessment Summary	3
Contribution of the Green Bond to the UN SDGs	4
ISS ESG SPO Assessment	5
PART I: GREEN BOND PRINCIPLES	5
PART II: SUSTAINABILITY QUALITY OF THE GREEN BOND ASSET POOL	8
PART III: ASSESSMENT OF ZKB'S ESG PERFORMANCE	11
ANNEX 1: ISS ESG Corporate Rating	13
ANNEX 2: Methodology	18
About ISS ESG SPO	19

ISS ESG Evaluation of the Green Bond

Zürcher Kantonalbank (ZKB) commissioned ISS ESG to assist with its Green Bond re-verification by assessing three core elements:

1. ZKB's Green Bond Framework – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs).
2. The asset pool – whether the projects align with ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 1).
3. ZKB's own ESG performance, according to the ISS ESG Corporate Rating.

ISS ESG Assessment Summary

SPO	SUMMARY	EVALUATION ¹
Part 1: Performance against the GBPs	ZKB has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs.	Positive
Part 2: Sustainability quality of the asset pool	The Green Bond KPIs contain a clear description of eligible asset categories which include Private Mortgages, Commercial Real Estate and Housing Cooperatives. All buildings selected in these three project categories have high energy efficiency criteria ensuring good environmental standards. The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is positive based on the ISS ESG Green Bond KPIs. All assets of the asset pool are located in Switzerland, a highly regulated and developed country. Legislative frameworks in Switzerland set minimum standards, which reduce environmental and social risks.	Positive
Part 3: Issuer sustainability performance	ZKB shows a medium sustainability performance at the company level with a Corporate Rating of C+ on a scale from A+ (excellent) to D- (poor) and has been classified as "Prime". This rating reflects a good management of various ESG issues and outperformance of the peer average in the five key issues of the "Financials/Public & Regional Banks" sector. It is rated 9 th out of 281 companies within its sector as of 07.04.2020. This equates to a high relative performance, with a Decile Rank ² of 1.	Status: Prime Rating: C+ Decile Rank: 1

¹ ISS ESG's evaluation will remain valid until any modification of the Green Bond Framework or addition of new assets into the asset pool by the issuer and as long as the Corporate Rating does not change (last modification on the 21.01.2020). The controversy check of the underlying assets was conducted on the 31.03.2020.

² Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.




Contribution of the Green Bond to the UN SDGs

Based on the assessment of the sustainability quality of the green bond asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the ZKB's green bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
------------------------------------	--------------------------------	--------------------------	---------------------------------	-------------------------------------

Each of the bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Commercial Green Buildings	Limited contribution	
Private Mortgages	Limited contribution	
Housing Cooperatives	Limited contribution	

ISS ESG SPO Assessment

PART I: GREEN BOND PRINCIPLES

1. Use of Proceeds

The proceeds of the Green Bond will be used exclusively to (re-) finance assets matching ZKB's Green Bond Framework. All assets are part of the recent ZKB "Umweltdarlehen" portfolio, i.e. a portfolio of green loans to finance energy efficient buildings. The underlying assets are private mortgage loans, commercial real estate loans as well as loans for housing cooperatives. All buildings selected in these three project categories, have high energy efficiency criteria ensuring good environmental standards. From a sustainability point of view, the categories are positive as energy efficient buildings contribute towards a transition to a low carbon economy. Furthermore, housing cooperatives offer certain social advantages to their members, such as enhanced affordability and democratic governance.

All assets are situated in Switzerland and the assets are new builds and refurbishment of existing buildings.

Details regarding the assets included in the Green Bond are listed in the following table (based on loans outstanding):

	GREEN ASSET CATEGORY	SHARE OF GREEN BOND ASSET POOL (AS PER 31/12/2019)
A	Green Buildings: Private mortgage loans	CHF 616m (52%)
B	Green Buildings: Commercial real estate	CHF 358m (30%)
C	Housing cooperatives	CHF 206m (18%)
TOTAL		CHF 1,181m (100%)

Opinion: ISS ESG considers the Use of Proceeds description provided by ZKB to be aligned with the GBPs. Moreover, certain categories such as "housing cooperatives", add social benefits to the whole sustainability quality of the asset pool.

2. Process for Project Evaluation and Selection

The purpose of the Green Bond is to refinance a portfolio of green loans for energy efficient buildings, the ZKB "Umweltdarlehen".

The requirements to receive an "Umweltdarlehen" are the following:

New builds:

- Minergie certificate or,
- 2000-Watt-Areal certificate or,
- Swiss energy performance certificate GEAK with a minimum performance of A.

Refurbishments:

- Minergie certificate for refurbishments or,
- Energy performance certificate GEAK Plus for refurbishments with a minimum performance of C and with an improvement by at least one efficiency class or,
- Measures to improve energy efficiency (e.g. installation of solar panels).

The financial criteria for granting the loan are determined by the Product Management Financing Department. The planning, implementation, monitoring and reporting of the performance mandate and of issues relating to sustainability (including ZKB Umweltdarlehen as part of sustainable products and services) is carried out by the Performance Mandate unit. As the highest decision-making body, the Performance Mandate Steering Committee meets at regular intervals to advise and support the Bank Council and ZKB's Executive Board in all matters relating to the Performance Mandate. The Performance Mandate Steering Committee is made up of representatives of all business units and is chaired by the Performance Mandate Officer.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by ZKB as aligned with the GBPs. Transparent selection criteria and decision-making processes are well described.

3. Management of Proceeds

The Green Bond will exclusively refinance the selected portfolio and the loans will be earmarked within ZKB's internal system. ZKB will monitor that over the tenure of the Green Bond the volume of the eligible portfolio is greater than the nominal Green Bond volume. In case that ZKB's portfolio of "Umweltdarlehen" is not sufficiently large the proceeds of the Green Bond will either be invested in qualifying Green Bonds of other issuers or held in cash. In addition, ZKB excludes existing and future ZKB "Umweltdarlehen" from the cover pool of mortgage bond loans.

Opinion: ISS ESG considers the Management of Proceeds proposed by ZKB as aligned with the GBPs. The proceeds are appropriately tracked and procedure in case of divestment or postponement are transparent.

4. Reporting

Zürcher Kantonalbank will regularly (at least once a year) provide up-to-date information on the use of the proceeds and the environmental impact of its Green Bonds on its website³:

- Green Bond Framework,
- Green Bond annual reporting, including impact reporting,
- Second Party Opinion,
- Rating (Green Bond Assessment).

The report will include allocation reporting for each asset categories, while the impact report will be built along the two criteria "new buildings / refurbishments" and "energy savings / impact of renewable energies".

³ <https://www.zkb.ch/de/uu/nb/investor-relations/obligationenanleihen.html>

Opinion: *ISS ESG considers the reporting proposed by ZKB is in line with the GBPs. The issuer reports both on allocation and impact at a project category level.*

External review

ZKB has commissioned ISS ESG to provide an SPO to assess the alignment of their Green Bond Framework with the GBPs, the sustainability quality of the projects to be financed through the issuance of green debt instruments and ZKB's own ESG performance. A total of three SPOs have been provided to ZKB, one by former oekom research AG and two (this being the second) by ISS ESG.

PART II: SUSTAINABILITY QUALITY OF THE GREEN BOND ASSET POOL

Evaluation of the assets

A. GREEN BUILDINGS: PRIVATE MORTGAGE LOANS

Energy Efficiency prerequisites

- ✓ **All the assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency.**

All the assets are part of the ZKB “Umweltdarlehen” portfolio for energy efficient buildings.

All the new assets meet the energy efficiency criteria of Minergie, 2000-Watt-Areal or received an Energy Efficiency Class of “A” (new builds).

All the refurbished assets received an Energy Efficiency Class of “C” with an improvement by at least one efficiency class (refurbishments) or underwent individual, small-scale upgrades to foster energy efficiency and renewable energy.

Construction standards

- ✓ 100% of the assets are located in Switzerland, where high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).

Responsible treatment of customers with debt repayment problems

- ✓ For 100% of the assets, pre-emptive actions to prevent client debt repayment problems (e.g. data collection on client indebtedness, long-term fixed interest rates) are in place.
- ✓ For 100% of the assets, sustainable solutions for customers with debt repayment problems are in place (e.g. debt counselling, foreclosure as a last resort).
- ✓ For 100% of the assets, the creditor excludes the selling of contractually serviced loans.

Controversy assessment

Due to a low controversy risk, ISS ESG does not carry out a controversy assessment for private mortgage loans.

B. GREEN BUILDINGS: COMMERCIAL REAL ESTATE

Energy Efficiency prerequisites

- ✓ **All the assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency.**

All the assets are part of the ZKB “Umweltdarlehen” portfolio for energy efficient buildings.

All the new assets meet the energy efficiency criteria of Minergie, 2000-Watt-Areal or received an Energy Efficiency Class of “A” (new builds).

All the refurbished assets received an Energy Efficiency Class of “C” with an improvement by at least one efficiency class (refurbishments) or underwent individual, small-scale upgrades to foster energy efficiency and renewable energy.

Environmental standards for site selection

- No information is available on policies for responsible site selection.
- ✓ Over 60% of the assets are located within a maximum of 1 km from one or more modalities of public transport. Regarding the remaining 40% of assets, no detailed information is available on the proximity to public transport, but a distance of less than 1 km is very likely.

Construction standards

- ✓ 100% of the assets are located in Switzerland, where high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).
- No information is available on sustainable procurement.

Water use minimisation in buildings

- No information is available on measures to reduce water consumption.

Safety of building users

- ✓ 100% of the assets provide for measures to ensure operational safety (e.g. requirements for fire protection, in line with national legislation).

Sustainability labels/ certificates

- None of the assets obtained a (or an equivalent of) BREEAM “Very Good”, DGNB “Silver / Gold”, LEED “Gold”, HQE “excellent” certificate or better certification.

Controversy assessment

As no information on borrowers was provided to ISS ESG, a controversy assessment to safely rule out any controversies relating to the individual projects could not be carried out. Yet, the nature and the geographic location of the projects (Switzerland) implies a low controversy risk. A certain risk exposure relating to e.g. accidents on construction sites cannot be omitted.

C. HOUSING COOPERATIVES

- ✓ **Prerequisite: All financed housing cooperatives are non-profit-oriented housing organisations.**

Standards for social housing and housing cooperatives

- ✓ 100% of the assets are assigned to cooperatives which are democratically organised.
- No information is available regarding the rent levels of the cooperatives in comparison to the average rent level.
- ✓ 100% of the assets are assigned to cooperatives that charge a cost-induced rent that is not profit-oriented.
- ✓ 100% of the assets are assigned to cooperatives which conclude unlimited lease contracts and aim at a life-long residence.

Site selection

- No information is available on policies for responsible site selection.
- ✓ 100% of assets are located within a maximum of 1km from one or more modalities of public transport.

Construction standards

- ✓ 100% of the assets are located in Switzerland, where high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).
- No information is available on sustainable procurement.

Water use minimisation in buildings

- No information is available on measures to reduce water consumption.

Safety of building users

- ✓ 100% of the assets provide for measures to ensure operational safety (e.g. requirements for fire protection, in line with national legislation).

Energy efficiency

- ✓ 100% of assets provide for good energy efficiency standards.

Controversy assessment

As no information on borrowers was provided to ISS ESG, a controversy assessment to safely rule out any controversies relating to the individual projects could not be carried out. Yet, the nature and the geographic location of the projects (Switzerland) implies a low controversy risk. A certain risk exposure relating to e.g. accidents on construction sites cannot be omitted.

PART III: ASSESSMENT OF ZKB'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime'⁴ or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

COMPANY	STATUS	Rating	DECILE RANK
Zürcher Kantonalbank	PRIME	C+	1

This means that the company performed in a medium way in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG. In ISS ESG's view, the securities issued by the company therefore all meet the basic requirements for sustainable investments.

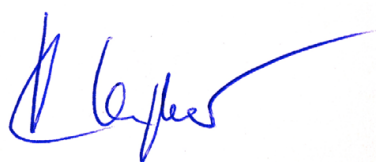
As of 07.04.2020, this rating places Zürcher Kantonalbank 9th out of 281 companies rated by ISS ESG in the Financials/Public & Regional Banks sector.

Key Challenges facing companies in term of sustainability management in this sector are:

- Sustainability impacts of lending and other financial services/products
- Customer and product responsibility
- Sustainable investment criteria
- Labour standards and working conditions
- Business ethics

In all of the key issues, Zürcher Kantonalbank rates above the average for the sector. A very significant outperformance was achieved in "Sustainable investment criteria" and "Labour standards and labour conditions".

Details on the rating of the issuer can be found in Annex 1.



Robert Hassler, Head of ISS ESG Ratings

⁴ Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

DISCLAIMER

1. Validity of the SPO: For ZKB's Green Bond/Schuldschein issuances occurring between April 2020 and April 2021.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

The issuer that is the subject of this report may have purchased self-assessment tools and publications from ISS Corporate Solutions, Inc. ("ICS"), a wholly-owned subsidiary of ISS, or ICS may have provided advisory or analytical services to the issuer. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any issuer's use of products and services from ICS by emailing disclosure@issgovernance.com.

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

ISS is an independent company owned by entities affiliated Genstar Capital ("Genstar"). ISS and Genstar have established policies and procedures to restrict the involvement of Genstar and any of Genstar's employees in the content of ISS' reports. Neither Genstar nor their employees are informed of the contents of any of ISS' analyses or reports prior to their publication or dissemination. The issuer that is the subject of this report may be a client of ISS or ICS, or the parent of, or affiliated with, a client of ISS or ICS.

© 2020 | Institutional Shareholder Services and/or its affiliates

ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from ZKB's ISS ESG Corporate Rating.

ESG Corporate Rating

Zürcher Kantonalbank

Industry	Financials/Public & Regional Banks	Status	Prime
Country	Switzerland	Rating	C+
ISIN	CH0126183075	Prime Threshold	C
		Decile Rank	1

Absolute Rating



The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively

Decile Rank



Low relative performance

High relative performance

Indicates decile rank relative to industry group. A decile rank of 1 indicates a high relative ESG performance, while a 10 indicates a lower relative ESG performance.

Industry Leaders

Company name (in alphabetical order)	Country	Grade
Berner Kantonalbank AG	CH	C+
Deutsche Kreditbank AG	DE	B-
La Banque Postale S.A.	FR	B-

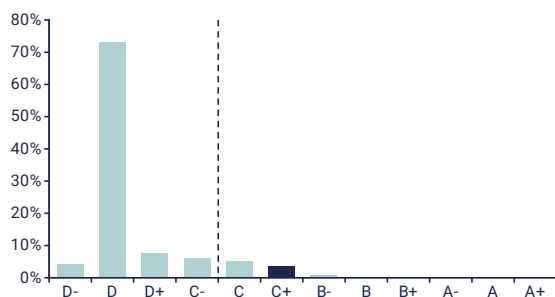
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance

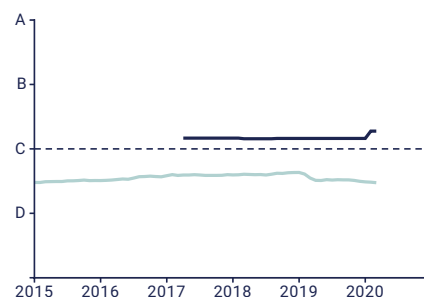


Distribution of Ratings

281 companies in the industry



Rating History



Zürcher Kantonalbank

Analyst Opinion

Sustainability Opportunities

Zuercher Kantonalbank's core activities include payment transactions and card business, financing businesses, asset and wealth management, trading, capital market transactions and deposits. Furthermore, the company is active in the investment and asset management business and in trading. The company offers some measures regarding equal access to financial services e.g. for the disabled such as barrier-free branches and ATMs, and by providing banking activities in remote regions. Moreover, Zuercher Kantonalbank provides various social financial services, including microfinance and social loan programmes. In addition, the company's asset management subsidiary Swisscanto offers a wide range of SRI products that cover important sustainability issues. According to the company, in 2018, 7.5% of its total assets under management were invested according to ESG/SRI criteria. Furthermore, the company offers green loan programmes for corporate and retail customers offering preferential conditions for energy efficiency renovation and construction projects, and Zuercher Kantonalbank offers leasing services for eco-efficient vehicles. However, despite the broad range of product offerings with a high social or environmental benefit, these products and initiatives so far do not constitute a major business for Zuercher Kantonalbank.

Sustainability Risks

Financial companies face environmental and social risks in their lending and asset management as well as regarding their client and employee relations. Zuercher Kantonalbank conducts environmental risk assessments and has implemented a loan policy for corporate lending excluding among others the financing of commodities such as crude and heavy oil, diamonds, and precious woods. Therefore, risks related to the company's lending business are addressed to some extent. Regarding the integration of ESG issues into its asset management, the company shows an above-average performance and has defined a detailed integration approach taking into account relevant ESG aspects and excluding investments in companies that produce weapons prohibited under international treaties and/or which violate Swiss sanction provisions among others. Moreover, extensive application procedures for environmental and social standards in asset management are available including e.g. clear responsibilities, and use of extensive external and/or internal research. Furthermore, Zuercher Kantonalbank addresses several marketing risks, and offers internal debt counselling, thereby considering some important issues associated with its client relations. Employee-related aspects are managed through e.g. a group-wide health and safety management system addressing among others mental health problems, and the offering of comprehensive work-life balance options related to workplace flexibility or support for dependent care. Zuercher Kantonalbank has implemented a group-wide code of conduct covering several relevant compliance topics (e.g. corruption and insider dealings) in varying degree of detail. Furthermore, comprehensive measures to ensure compliance such as compliance training and risk assessments are in place. However, the company was involved in business ethics controversies related to alleged aiding and abetting tax evasion in the United States.

Governance Opinion

Zuercher Kantonalbank is an independent, incorporated public-law bank, which is owned by the Canton of Zurich (as at November 2019). The company's chair of the board as well as all members of the board are considered independent. In addition, the company has set up fully independent committees in charge of audit, nomination and remuneration (as at August 12, 2019), thus ensuring effective management supervision. The company discloses its remuneration schemes for members of the executive management team as a whole and for the CEO individually, which includes long-term incentive components.

With regard to its governance of sustainability, there are no indications of an independent committee in charge of sustainability matters, nor of integration of ESG factors into variable remuneration of the executives. Zuercher Kantonalbank has implemented a group-wide code of conduct covering several relevant compliance topics (e.g. corruption and insider dealings) in varying degree of detail. Furthermore, comprehensive measures to ensure compliance such as compliance training and risk assessments are in place. Yet, the company was involved in business ethics controversies related to alleged aiding and abetting tax evasion in the United States.

Zürcher Kantonalbank

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Controversial Business Practices - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
 - Degree of verification of allegations and claims
 - Severity of impact on people and the environment, and systematic or systemic nature of malpractices
- Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

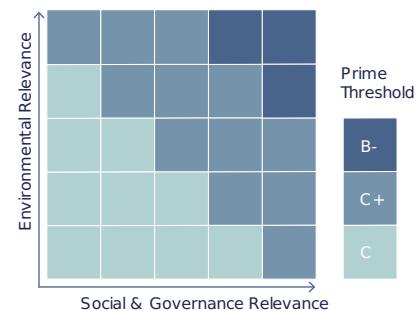
Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Zürcher Kantonalbank

Methodology - Overview

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Major Shareholders & Ownership Summary - Overview of the company's major shareholders at the time of generation of this report. All data as well as the categorisation system for the investor types is based on information from S&P Capital IQ.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

ANNEX 2: Methodology

ISS ESG Green Bond KPIs

The ISS ESG Green Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of ZKB’s Green Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Asset evaluation methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by ZKB (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which ZKB’s Green Bond contributes to related SDGs and has a positive association with their respective sub-targets.

The contribution assessment is split into two Levels:

1. **Level 1:** Contribution and/or obstruction of the Use of Proceeds categories to be financed through the bond to the UN SDGs
2. **Level 2:** Association of the assets’ ESG performance with further SDGs

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, and this Green Bond, contact:

Federico Pezzolato

Federico.Pezzolato@isscorporatesolutions.com

SPO@isscorporatesolutions.com

+44.20.3192.5760