

SECOND PARTY OPINION (SPO)

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

Zürcher Kantonalbank
20 April 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bonds
Relevant standards	<ul style="list-style-type: none">• ICMA's Green Bond Principles
Scope of verification	<ul style="list-style-type: none">• ZKB Green Bond Framework (as of March 2021)• ZKB Green Bond Asset Pool (as of March 2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• This SPO is valid for one year from the date of issuance

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SCOPE OF WORK

Zürcher Kantonalbank (ZKB) commissioned ISS ESG to assist with its Green Bond re-verification by assessing three core elements to determine the sustainability quality of the instrument:

1. The Green Bonds' link to ZKB's sustainability strategy – drawing on ZKB's overall sustainability profile and issuance-specific Use of Proceeds categories.
2. ZKB's Green Bond Framework – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs)
3. The asset pool – whether the projects aligned with ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 1).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Issuance's link to issuer's sustainability strategy	According to the ISS ESG Corporate Rating published on 16.12.2020, the issuer shows a high sustainability performance against industry peer group on key ESG issues faced by the 'Public and Regional Banks' sector. As of 20.04.2021, ZKB is rated 11 th out of 276 companies within its sector, and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.	Consistent with the issuer's sustainability strategy
Part 2: Performance against the GBPs	The issuer has defined a formal concept for its Green Bond Framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with ICMA's GBPs.	Positive
Part 3: Sustainability quality of the asset pool	<p>The overall sustainability quality of the Green Bond asset pool in terms of sustainability benefits, risk avoidance and minimisation is good, based upon the ISS ESG's Green Bond KPIs. The KPIs contain a clear description of the eligible asset categories which include Private Mortgage Loans, Green Commercial Real Estate and Housing Cooperatives.</p> <p>The use of proceeds categories have a positive contribution to the SDG 11 'Sustainable cities and communities'. The environmental and social risks associated with those use of proceeds categories have been well managed. according to the methodology of ISS ESG.</p>	Positive

¹ ESG's evaluation is based on ZKB's Green Bond Framework (March 2021 version), on the analysed Green Bond asset pool and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 16.12.2020).

ISS ESG SPO ASSESSMENT

PART I: THE GREEN BOND'S LINK TO ZKB'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF ZKB'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
ZKB	PUBLIC AND REGIONAL BANKS	1	VERY HIGH

This means that ZKB currently shows a high sustainability performance against peers on key ESG issues faced by the 'Public and Regional Banks' sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 20.04.2021, this rating places ZKB 11th out of 276 companies rated by ISS ESG in the 'Public and Regional Banks' sector.

Key Challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

ZKB'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 such as e.g., barrier-free branches and ATMs for the disabled, and by providing banking activities in remote regions. Moreover, ZKB 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 2020, 27% of its total assets under management were invested according to ESG/SRI criteria. Furthermore, the company offers green loan programs for corporate and retail customers offering preferential conditions for energy efficiency renovation and construction projects, and ZKB 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 ZKB.

Sustainability Risks

Financial companies face environmental and social risks in their lending and asset management as well as regarding their client and employee relations. ZKB 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, ZKB 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. ZKB 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. The company was involved in business ethics controversies related to alleged aiding and abetting tax evasion of U.S. taxpayer clients.²

Governance opinion

ZKB is an independent public-law bank, which is owned by the Canton of Zurich. 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 December 14, 2020), 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, ZKB has an independent Public Service Mandate Steering Committee in charge of sustainability matters, but there are no indications of integration of ESG factors into variable remuneration of the executives. ZKB 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. The company was involved in business ethics controversies related to alleged aiding and abetting tax evasion of U.S. taxpayer clients.³

Breaches of international norms and ESG controversies

ZKB is not facing any severe controversy.

² These proceedings regarding ZKB's legacy business with U.S. taxpayer clients focussed on events from about 2002 through in or about 2009 and have been concluded with a Deferred Prosecution Agreement (DPA) in August 2018. ZKB has successively adjusted its cross-border wealth management business since 2009. The bank is committed to a strict tax-compliant business policy, and in terms of geographic coverage focuses on selected core markets with an emphasis on Europe.

³ See previous footnote.

B. CONSISTENCY OF THE INSTRUMENT WITH ZKB'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

The promotion of sustainability has a long tradition at ZKB. As early as 1995, ZKB signed the United Nations Declaration on the Environment and Sustainable Development (UNEP Finance Initiative), the aim of which is to integrate sustainability aspects at all corporate levels. ZKB has also been a long-term member of "Öbu", the Association for Sustainable Business. The aim of the association of around 320 Swiss companies is to further develop the Swiss economy according to the principles of sustainability.

ZKB's first public environmental report was published in 1998. Since then, the understanding of sustainability has expanded continuously. The initial focus on ecological aspects expanded over time to other facets of sustainability. Sustainability as part of the public service mandate is a strategic goal of ZKB. The public service mandate targets are measured annually and revised every three years with the board of directors.

ZKB also takes ESG criteria (environment, society and good corporate governance) into account in its sustainability policy by anchoring minimum standards in investment policy and transparency. Measures to increase transparency in turn offer incentives to improve sustainability, enable discussion about it and serve as a decision-making aid.

Rationale for issuance

ZKB has been issuing several Green Bonds in the past years. On the one hand, they help to meet the growing demand for sustainable investments. On the other hand, it helps make more transparent in which areas and to what extent ZKB is developing its sustainability commitments. At the same time, the expansion of the investor base contributes to the diversification of the funding sources of ZKB. Green Bonds are mainly issued to refinance ZKB environmental loans and to finance projects with energy-related objectives for the office buildings used by ZKB itself.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Public and Regional Banks sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds category.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Commercial Green Buildings	✓	✓	Contribution to a material objective
Private Mortgages for	✓	✓	Contribution to a material objective

Residential Green Buildings			
Housing Cooperatives	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds categories financed through the bonds issued under this Framework is consistent with the issuer’s sustainability strategy and to material ESG topics for the issuer’s industry. The rationale for issuing Green Bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH THE 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. The underlying assets include private mortgage loans, commercial real estate loans as well as loans for housing cooperatives.

Most assets are part of the ZKB "Umweltdarlehen" portfolio, i.e. a portfolio of green loans to finance energy efficient buildings.

Additionally, eligible assets include ZKB's own office buildings, as the company has been able to significantly reduce energy consumption in the office buildings used by the bank during renovations and through individual energy-saving measures.

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 31/12/2020)
A	Green Buildings: Private mortgage loans	CHF 629m (42%)
B	Green Buildings: Commercial real estate	CHF 624m (42%) Of which CHF 266m for ZKB's own office buildings
C	Housing cooperatives	CHF 230m (16%)
TOTAL		CHF 1,484m (100%)

Opinion: ISS ESG considers the Use of Proceeds description provided by ZKB Green Bond Framework as aligned with the ICMA GBPs. ZKB gives a detailed overview of eligible assets, also disclosing allocated amounts publicly in their framework, which shows great transparency.

A more detailed assessment about the ZKB's asset pool is available in section III of this Second Party Opinion.

2. Process for Project Evaluation and Selection

ZKB Umweltdarlehen

The financial criteria for granting the loan are determined by the Product Management Financing Department. The planning, implementation, monitoring and reporting of the public service mandate and of issues relating to sustainability (including ZKB Umweltdarlehen as part of sustainable products and services) is carried out by the Public Service Mandate unit. As the highest decision-making body, the Public Service 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 Public Service Mandate. The Public Service Mandate Steering Committee is made up of representatives of all business units and is chaired by the Public Service Mandate Officer.

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).

Additionally

- The certificates must not be older than five years.
- For owner-occupied residential property, the permitted property location covers the whole of Switzerland, for all other properties it is restricted to the Zurich area.
- The Minergie or 2000 Watt Areal certificate and the GEAK ID must be issued for the entire property. Minergie certificates for components / modules do not entitle you to obtain a ZKB environmental loan.
- The entire financing must be provided by ZKB
- The ZKB environmental loan cannot be integrated into an ongoing commitment.
- The term of the ZKB environmental loan can be between two and fifteen years. However, the interest rate reduction applies to a maximum of the first five years of the term.

ZKB's own office buildings

The bank has examined all the bank's own buildings individually and on the basis of energetic consumption measurements since 2012. As of the end of 2020, a total of eight out of seventeen projects implemented between 2015 and 2018 have been selected for refinancing through Green Bonds. Projects included are those for which a significant reduction in energy consumption and/or CO₂ emissions can be demonstrated. These buildings include the workplaces of about 20% of all ZKB employees.

- The selected projects include two complete renovations carried out in the period under review and a replacement new building.
- The selection also includes five smaller projects aimed towards energy optimization.

Opinion: ISS ESG considers the Project Evaluation and Selection processes as aligned with the ICMA GBPs. A dedicated “Public Service Mandate unit” is responsible for the project evaluation and selection process and general governance of the framework. A description of the unit composition and activities is provided, which further increases transparency. ZKB also describes eligibility criteria for its Umweltdarlehen granularly, however not including a list of activities excluded from financing.

3. Management of Proceeds

ZKB commits itself to use the proceeds from the Green Bonds to refinance existing and future ZKB Umweltdarlehen or the selected bank's own projects. In order to ensure that funds are used for a specific purpose, 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 by at least 10%.

Should the volume of outstanding Green Bonds exceed the outstanding volume of ZKB Umweltdarlehen and the amount invested in the bank's own projects at any point in time, the excess funds from Green Bond issuances will either be invested in qualifying Green Bonds of other issuers or held in cash.

The following criteria apply to investing in Green Bonds from other issuers:

- Currency / rank: CHF, EUR or USD / senior unsecured
- Issuer rating: investment grade
- At least one independent review in the form of a Second Party Opinion or a Green Bond Rating. Accepted examiners are:
 - Second Party Opinion: CICERO Shades of Green, ISS-ESG, Sustainalytics, V.E or DNV
 - Green Bond Rating: S&P.

Opinion: ISS ESG considers the management of proceeds as aligned with the ICMA GBPs. The proceeds are appropriately tracked and procedure in case of divestment or postponement are transparent. Moreover, the issuer includes ESG criteria for unallocated amounts, in case these are not held in cash.

4. Reporting

ZKB 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 website⁴ including:

- Green Bond Framework,
- Green Bond annual reporting, including impact reporting,
- Second Party Opinion,

⁴ <https://www.zkb.ch/de/uu/nb/investor-relations/obligationenanleihen.html>

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".

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

External review

Second Party Opinion

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.

PART III: SUSTAINABILITY QUALITY OF THE GREEN BOND ASSET POOL

1. CONTRIBUTION OF THE GREEN BOND ASSET POOL TO THE UN SDGs

Using a proprietary methodology, ISS ESG assessed the contribution of ZKB’s Green Bond to the Sustainable Development Goals defined by the United Nations (UN SDGs). This assessment is an ISS ESG proprietary methodology while taking into account the sustainability quality of the instrument and the issuer’s specific sectorial context.

This assessment is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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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	

2. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE GREEN BOND ASSET POOL

Private Mortgage Loans

As a Use of Proceeds category, “Private Mortgage Loans” has a limited contribution 11 “Sustainable cities and communities”.

The table below presents the financing intentions and the findings of an ISS ESG assessment of the assets (re-)financed against KPIs.

ASSESSMENT AGAINST ISS ESG KPI

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.

Green Buildings: Commercial real estate

As a Use of Proceeds category, “Green Buildings: Commercial real estate” has a limited contribution 11 “Sustainable cities and communities”.

The table below presents the financing intentions and the findings of an ISS ESG assessment of the assets (re-)financed against KPIs.

ASSESSMENT AGAINST ISS ESG KPI

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 or are part of ZKB's own office buildings.

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

All the refurbished assets financed with a ZKB "Umweltdarlehen" 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.
- ✓ 100% of the assets are located within a maximum of 1 km 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).

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.

Housing Cooperatives

As a Use of Proceeds category, “Housing Cooperatives” has a limited contribution 11 “Sustainable cities and communities”.

The table below presents the financing intentions and the findings of an ISS ESG assessment of the assets (re-)financed against KPIs.

ASSESSMENT AGAINST ISS ESG KPI

- ✓ **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

- Only about one third of the assets are Minergie-A or Minergie-P compliant. For these two standards, the required energy efficiency is 50kWh/m²a or lower.

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.

DISCLAIMER

1. Validity of the SPO: This SPO is valid for one year from the date of issuance.
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.
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ANNEX 1: Methodology

ISS ESG KPIs

The ISS ESG 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 Framework.

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 indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfil the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

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

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 the ZKB Green Bond contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

ANNEX 3: Quality management processes

SCOPE

ZKB commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the ICMA GBPs and to assess the sustainability credentials of its Green Bond asset pool, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs

ISSUER'S RESPONSIBILITY

ZKB responsibility was to provide information and documentation on:

- Framework
- Selection process
- Asset pool

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. ISS ESG has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond Framework by ZKB based on ISS ESG methodology and in line with the ICMA GBPs.

The engagement with ZKB took place in March and April 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

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/>

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