GKB Sustainable Investment Policy.

Graubündner Kantonalbank

12.2025

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1 Introduction

The **Sustainable Investment Policy** of Graubündner Kantonalbank (GKB) describes how the Bank treats the assets entrusted to it responsibly in its investment business in terms of asset management, in its own investment funds and in investment advisory services. It explains the principles, processes and criteria by which environmental, social and governance (ESG) aspects are systematically integrated into investment decisions.

The aim of the policy is to create transparency about how sustainability is understood and implemented in the investment business of GKB. In doing so, the Bank aims to combine financial objectives with a conscious consideration of sustainability aspects and to support clients in making informed investment decisions.

Consideration of ESG criteria can help better identify sustainability risks and seize long-term opportunities. At the same time, the bank is aware that sustainable investments do not guarantee certain environmental or social impacts and that sustainability data and assessments may be subject to uncertainty.

This policy applies to all investment solutions and processes used in the investment business of GKB, irrespective of whether investment decisions are taken by the bank as part of asset management or recommended in the context of investment advice, unless expressly agreed otherwise. It is aimed at clients, interested parties and other stakeholders and does not constitute an individual investment recommendation. The specific way in which sustainability and ESG aspects are taken into account is determined within the framework of the respective investment solution and taking into account the ESG preferences of the client.

2 GKB's understanding of sustainability

2.1 Sustainability at corporate level

Thinking and acting sustainably is firmly anchored in the vision and strategy of GKB and forms a central pillar of its overarching purpose: "For the best future ever". The bank has enshrined the issue of sustainability in its corporate strategy as part of its public service mandate and integrated it into its business activities as part of its corporate sustainability.

GKB's sustainability orientation is based on three equal dimensions: economic, environmental and social responsibility. Based on strategic guidelines, the bank focuses its actions on the long-term development of the Canton of Graubünden, strengthening the regional economic area and the quality of life of its people. In this context, it takes into account the interests of all relevant stakeholder groups – in particular employees, clients, the general public and investors.

In order to manage and make its sustainability performance transparent, GKB follows recognised international reporting and disclosure standards, in particular the standards of the Global Reporting Initiative (GRI) and the internationally established recommendations on climate-related financial reporting, as now enshrined in the standards of the International Sustainability Standards Board (ISSB) of the IFRS Foundation (formerly TCFD). The bank's long-term goal is to achieve net-zero greenhouse gas emissions by 2050, but recognises that the extent to which that target is achieved depends on external conditions and methodological developments.

GKB also adheres to selected internationally recognised sustainability initiatives and industry standards, in particular the United Nations Principles for Responsible Investment (UN PRI), the UN Global Compact, Swiss Sustainable Finance and the relevant self-regulations of the Asset Management Association Switzerland (AMAS) and the Swiss Bankers Association (SBA).

2.2 Sustainability in the investment business

In line with its fiduciary responsibility, GKB takes relevant sustainability aspects into account in its own funds and investment solutions, insofar as this fits with the respective investment solution and the preferences of its clients. Long-term and responsible action forms an important basis for well-founded investment decisions.

GKB sees sustainability in the investment business as the structured consideration of ESG criteria to identify risks and relevant opportunities in the investment process at an early stage.

GKB differentiates its investment solutions according to the extent to which sustainability criteria are taken into account:

- **Traditional investment solutions** do not systematically integrate sustainability and ESG criteria into the investment process.
- **ESG investment solutions** systematically take account of ESG criteria to support well-founded investment decisions.
- **Sustainable investment solutions** take a holistic approach with a compatibility objective.

This classification is explained in more detail in chapter 6 on the basis of the specific categories of investment solutions and their sustainability characteristics.

Depending on the respective investment solution, sustainability-related aspects are systematically taken into account throughout the entire investment process and may include the following elements in particular:

- Defining the investable investment universe, incorporating exclusion criteria and/or selective positive selection approaches,
- Considering ESG risks and opportunities in investment analysis and portfolio construction,
- Incorporating ESG criteria into investment decisions and risk management,
- Stewardship activities, in particular dialogue with companies and fund providers and promoting sustainability-oriented voting.

GKB's sustainability-related investment process is compatible with the self-regulations in the area of sustainable finance that are relevant in Switzerland.

3 GKB's sustainable investment process

3.1 Governance

Sustainability in the investment business is integrated into the bank's existing governance and decision-making structures. Design, management and further development are carried out through the interaction of the responsible strategic and operational committees. The Sustainable Investment Policy and any significant amendments thereto are subject to approval by the Investment Committee in accordance with the applicable rules governing powers and delegation at GKB and are brought to the attention of the Executive Board.

GKB is continuously developing the governance of sustainable investment processes and this will in future be supplemented by a clearer description of responsibilities, including the roles of the Executive Board, the Board of Directors, Risk Management and Compliance. This also includes a more transparent presentation of the organisational structures, for example in the form of an organisational chart. Further responsibilities and control roles are explained in detail in Chapter 7 on monitoring and will be taken into account accordingly as governance evolves.

In addition to the applicable directives and instructions, the ESG Committee plays a key technical role in the investment business in the area of sustainability-related requirements and criteria in the Investment Center responsible. It is made up of specialists from the Investment Centre and is responsible for the implementation, further development and consistent application of the Sustainable Investment Policy with regard to sustainability-related requirements in the investment business with a holistic assessment of relevant aspects.

The tasks of the ESG Committee include, in particular, defining sustainability-related criteria in the investment process, setting exclusion criteria and specifications for the sustainable investment universe, structuring stewardship activities and sustainability-related reporting.

The ESG Committee is also responsible for the technical assessment and approval of justified deviations from defined sustainability criteria at the policy level. The operational handling of deviations as well as the escalation and deadline logic are described in Section 7.

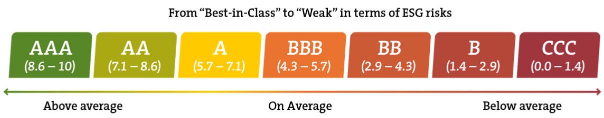
3.2 ESG data, ratings and scores

GKB largely relies on external data such as ESG ratings and scores to assess ESG-related risks and opportunities in the investment process. These serve as a structured basis for decision-making to support well-founded investment decisions and systematically take financially relevant ESG risks and opportunities into account.

GKB predominantly uses ESG data and analyses from MSCI ESG Research LLC (MSCI ESG). GKB monitors the ESG data used in terms of quality, timeliness and methodological adjustments. Relevant anomalies are documented and, if necessary, submitted to the ESG Committee for further assessment. This is particularly due to the broad data coverage of MSCI ESG on listed equity securities and bonds relevant to the bank's investment activities, both in the Swiss market and at a global level. This allows for consistent application of ESG criteria across different regions. Other asset classes are assessed differently in the investment process.

MSCI ESG provides ESG ratings, scores and other sustainability-relevant data to companies, governments and investment funds around the world. The ESG ratings are based on a relative, rules-based rating within peer groups and range from "AAA" (the highest rating) to "CCC" (the lowest). This is based on an ESG score that reflects exposure to ESG risks and how these risks are handled in comparison with relevant peers.

MSCI ESG's ESG ratings and scores



The ESG ratings and scores of MSCI ESG should be seen as relative rankings within comparable industries or groups of countries. They are not an absolute sustainability indicator and are therefore not directly comparable across industries or countries.

In addition to ESG ratings and scores, further ESG data are used, for example to apply exclusion criteria or consider climate-specific aspects.

The ESG data, ratings and scores used form a key, but not the sole, component of the sustainable investment process. They are used in the context of further quantitative and qualitative information and support, in particular the definition of the investment universe, risk analysis, portfolio construction and the ongoing monitoring of investments.

GKB takes into account that ESG data and ratings are based on estimates, model assumptions and publicly available information and are subject to methodological limitations. Accordingly, they are critically examined and used as part of the defined control and monitoring process. Data deviations, controversies and exceptions are handled in a transparent manner and in accordance with the bank's internal guidelines. If the deviation is material and could require an extraordinary adjustment to the sustainable investment universe, the ESG Committee is informed for further technical assessment.

3.3 Sustainability approaches when investing

Different sustainability approaches are applied in the investment solutions and funds of GKB, depending on their structure. These are methodological elements of the investment process and are used individually or in combination, depending on the investment strategy, to take ESG aspects into account in a structured manner. The approaches complement each other, but do not in themselves justify an independent sustainability or impact goal.

GKB relies on external specialist providers as well as on internal analyses for implementation. In particular, ESG data, controversy analyses and sustainability assessments from external data providers such as MSCI ESG are used. External ESG data are based on available information, assessments and assumptions and may change over time.

3.3.1 Exclusions

The "Exclusions" sustainability approach serves to systematically avoid investments in issuers or business activities that are not compatible with the defined standards, values or sustainability requirements of GKB or involve increased sustainability, reputational or regulatory risks. The approach is criteria-defined, rules-based and independent of short-term market developments.

The exclusions apply in particular to issuers with controversial business models or serious breaches of internationally recognised norms and standards, for example in connection with weapons and armaments, thermal coal or serious ESG controversies. The recommendations of the Swiss Association for Responsible Investments (SVVK-ASIR) are also taken into account.

The exclusion approach is applied differently depending on the type of investment. In the case of direct investments (individual securities), exclusion criteria are mandatory and apply prior to security selection; investments cannot be made in the issuers in question, regardless of the sustainability characteristics of the investment solution. In the case of fund investments, exclusions are taken into account during the fund selection process and serve to define the sustainable fund universe. The exclusions applicable to all the Bank's investment solutions and own funds are reviewed regularly and published on the Bank's website (gkb.ch/anlegen-nachhaltigkeit).

The bank's ESG Committee is authorised to decide on additional exclusions for individual investment solutions or its own funds or to assess existing criteria differently on a case-by-case basis.

3.3.2 ESG integration

The "ESG integration" sustainability approach systematically supplements traditional financial analysis with environmental, social and governance aspects. The aim is to identify relevant long-term risks and opportunities that may influence the value of companies, countries and financial instruments.

In the case of direct investments, ESG criteria are systematically considered as part of issuer analysis. In particular, this includes assessing an issuer's exposure to material environmental, social and governance risks and analysing how it handles these risks, primarily by taking into account external ESG ratings, scores and controversy analyses (e.g. MSCI ESG). The ESG assessment supplements traditional financial analysis and serves to identify ESG risks and opportunities that are relevant in the long term and take them into account appropriately when making an investment decision.

In the case of funds from third-party providers, GKB makes a qualitative assessment of the ESG approach used as part of fund due diligence. In particular, the bank analyses the traceability and binding nature of ESG integration and, if necessary, conducts a dialogue with the fund providers in this regard.

3.3.3 Best-in-class/positive selection

The best-in-class approach is a relative sustainability approach that assesses issuers within comparable industries or country groups using ESG criteria. Investments are preferred in issuers that have a more robust ESG score based on MSCI ESG data (e.g. ESG ratings and scores) relative to their peers. The approach aims to improve the sustainability quality of a portfolio relative to the market or the reference benchmark without excluding entire sectors or groups of issuers. Specifically, this can mean, for example, that the average ESG score of the portfolio is higher than the ESG score of the reference benchmark over the long term

GKB primarily applies the best-in-class approach at portfolio level. Issuers with a robust ESG score tend to be given a higher weighting, while issuers with a weaker ESG score can be given a lower weighting. There is no automatic exclusion based solely on low ESG scores. This approach makes it possible to maintain diversification and manage the ESG quality of the overall portfolio in relative terms.

3.3.4 Stewardship

The "stewardship" sustainability approach encompasses responsible exercise of ownership rights in the investment process. This includes, in particular, the structured exercise of voting rights and dialogue with companies on environmental, social and governance (ESG) topics.

Stewardship has a long-term focus and complements other sustainability approaches such as exclusions, ESG integration or best-in-class. The aim is to appropriately address relevant ESG risks and promote responsible corporate governance.

The organisational anchoring, governance and implementation of stewardship activities at GKB are governed by Section 8 and the GKB Stewardship Policy.

Further information on the approaches is available on the GKB website (gkb.ch/anlegen-nachhaltigkeit) in the form of information sheets.

4 Sustainability assessment

GKB systematically assesses sustainability risks in its investment business in order to take ESG aspects into account consistently and in line with its understanding of sustainability when selecting direct investments and investment funds.

The purpose of the sustainability assessment is to classify sustainability risks in a structured manner and apply defined sustainability approaches; it does not constitute evidence of a specific impact or target achievement.

It is based on clearly defined processes, external ESG data, internal qualitative analyses and established governance and control mechanisms and is differentiated according to the type of investment.

4.1 Sustainable investment universe

GKB's sustainable investment universe (see glossary for definition) comprises investment instruments that meet the sustainability requirements defined by the bank. It serves as a structured reference framework for assessing sustainability risks and systematically integrating ESG aspects into the investment process.

Depending on the investment solution in question, the sustainable investment universe forms the basis for stock selection in in-house funds as well as in asset management and investment advisory solutions. In sustainable investment solutions, it serves in particular to meet a defined minimum proportion of sustainable investments.

The sustainable investment universe is not an exclusive investment universe for all the Bank's investment solutions and funds. This means that investments that are not part of the sustainable investment universe can also be taken into account if the respective investment solution so provides. Irrespective of this, in the case of direct investments the defined exclusion criteria apply as a binding minimum requirement across the portfolio.

The definition and ongoing review of the sustainable investment universe is based on rules, taking into account external ESG data, internal qualitative analyses and the bank's control and monitoring processes.

4.2 Sustainability assessment for direct investments

Building on the sustainable investment universe defined in section 4.1, the sustainability assessment of direct investments is carried out as part of a multi-stage analysis process to identify investable issuers and assess relevant sustainability aspects.

The assessment is mainly based on ESG data and analysis from external providers, in particular MSCI ESG. On this basis, the bank applies established sustainability approaches to systematically identify and manage sustainability risks.

The sustainable direct investment universe is regularly updated and follows a rules-based process that includes, in particular, the following steps:

- **Application of defined exclusion criteria:**
  Issuers whose business activities or practices are not compatible with the bank's sustainability requirements are generally considered non-investable. The exclusion criteria apply as a binding minimum requirement for direct investments across the portfolio.
  Any justified deviations are reviewed restrictively as part of the defined governance and exception processes and are regulated in Section 4.4.

- **Positive selection:**
  As a rule, only issuers with an available ESG assessment are considered. Issuers without ESG coverage by the primary data provider and issuers with insufficient ESG performance – in particular ESG laggards according to the methodology applied (e.g. MSCI ESG ratings B and CCC) – are not part of the sustainable investment universe. Although these issuers may in principle be investable, they are not allocated to the sustainable investment universe and are therefore not counted towards any defined minimum proportion of investments that comply with the bank's sustainability policy requirements.

  Any justified deviations, in particular in the case of limited data availability or specific issuer segments, are examined restrictively as part of the defined governance and exception processes (see section 4.4).

Once the sustainable investment universe has been defined, ESG criteria are additionally and systematically integrated into financial analysis, stock selection and portfolio construction. ESG integration enables an in-depth assessment of ESG-related risks and opportunities as well as differentiation within the sustainable investment universe and does not lead to any further restriction of the investable universe.

Instruments without direct investment in economic activities or without reliable ESG data – such as liquidity, money market instruments, derivatives or structured products – are not included in the sustainability assessment. These are primarily used for liquidity management, hedging or efficient portfolio implementation and are not considered ESG-assessable. This approach is in line with market practice and ensures a consistent and methodically comprehensible ESG assessment.

4.3 Sustainability assessment of investment funds from third-party providers (third-party funds)

Based on the sustainable investment universe defined in section 4.1, the sustainability assessment of third-party funds is carried out as part of a multi-stage analysis process to differentiate investable funds and assess relevant sustainability aspects.

The assessment is based on publicly available information, legally binding fund documents, documentation provided in the course of due diligence and data from external ESG data providers. The aim is to assess whether the sustainability approach applied by the fund is compatible with the relevant regulatory and market requirements and complies with GKB's understanding of sustainability.

The sustainability assessment of third-party funds is not carried out by applying the exclusion criteria applicable to direct investments in the same way. Funds do not necessarily have to use the same definitions, methodologies or ESG data sources as for direct investments or funds managed by GKB. Rather, the assessment is made selectively within the framework of the structured definition of the sustainable investment universe. Threshold-based ESG criteria can be taken into account at a higher level, in particular with regard to breaches of internationally recognised standards and exposures to controversial business activities. These do not lead to blanket exclusions at portfolio level.

The specific structure of the sustainability assessment depends on the asset class concerned and is described in the following sections.

4.3.1 Funds with a focus on equities and bonds

Equity and bond funds are assessed using a structured quantitative and qualitative analysis process. ESG-related minimum requirements as well as the quality, commitment and appropriateness of the sustainability approach applied by the fund are assessed.

a) Quantitative analysis:
A quantitative pre-filter is used to identify funds that meet the minimum sustainability requirements defined by the bank. These include, in particular, thresholds relating to serious breaches of standards, controversial business practices and increased ESG risks (see information sheet on exclusion criteria). In particular, ESG data from MSCI ESG on ESG fund ratings as well as exposure to serious breaches of norms and controversial business areas are taken into account. Deviations from this are assessed and documented on a case-by-case basis as part of the due diligence process for third-party funds.

b) Qualitative analysis:
In addition, a qualitative assessment of the sustainability approach applied by the fund and the responsible asset manager is carried out. In particular, the following are assessed:

- the asset manager's sustainability expertise and organisation,
- the binding and comprehensible nature of the fund's sustainability policy,
- the application of recognised sustainability approaches (e.g. exclusions, best-in-class, ESG integration, climate alignment, stewardship),
- the structured exercise of shareholder rights and engagement activities,
- dealing with breaches of internationally recognised standards,
- and the transparency of ESG disclosure

A fund is only assigned to the sustainable investment universe if a binding and comprehensible sustainability policy is pursued that is systematically anchored in the investment process and goes beyond mere consideration of exclusion criteria or isolated ESG integration.

In particular, approaches that provide for a structured consideration of sustainability aspects in the portfolio construction (e.g. best-in-class, thematic, climate or impact-oriented approaches) or comparable, consistent integration of ESG and climate factors in line with recognised industry standards are considered sufficient. Funds that do not meet these requirements are not counted towards the proportion of an investment solution or fund that meets the requirements of the bank's sustainability policy.

4.3.2 Funds with a focus on real estate

Real estate funds and real estate investment foundations are primarily assessed qualitatively due to the limited coverage by external ESG data providers. In particular, the assessment takes into account the provider's sustainability policy and processes, transparency regarding the energy-efficient and climate-friendly management of the real estate portfolio and the application of recognised standards and certifications.

In the due diligence process, the bank takes into account recognised market standards for sustainable real estate investments, in particular systematic ESG integration in real estate management, a structured climate or decarbonisation-oriented management strategy, the consideration of energy and emissions figures and – where applicable – corresponding reporting and transparency standards. The assessment is based on recognised industry standards and self-regulation in the Swiss market, in particular the relevant guidelines of the Asset Management Association Switzerland (AMAS) and established practices of real estate investment foundations. Real estate funds and real estate investment foundations are only included in the sustainable investment universe if they pursue a binding, comprehensible sustainability policy that is anchored in the investment process.

4.3.3 Fund with a focus on physical gold

Gold funds are primarily assessed on a qualitative basis due to the limited availability of standardised ESG data from external data providers. In particular, the assessment takes into account the supplier's sustainability policy, the transparency of supply chains and the application of recognised standards and certifications.

I, the due diligence process for gold funds, GKB takes into account specific recognised market standards, in particular certifications such as Valcambi Green Gold or Max Havelaar and ensuring a traceable supply chain right up to the date of manufacture. Gold funds are only included in the sustainable investment universe if they pursue a binding, comprehensible sustainability policy that is anchored in the investment process.

4.3.4 Funds with a focus on private markets investments

Private markets funds (e.g. investments in unlisted companies, infrastructure or private credit financing) are assessed primarily qualitatively due to the limited availability of standardised ESG data from external data providers. In particular, the sustainability expertise of the asset manager, the anchoring of ESG criteria in the investment and participation process, the transparency of ESG disclosure and any obligations to recognised international initiatives are analysed.

In order to be included in the sustainable investment universe, the fund must systematically integrate ESG criteria into the investment process and report on them transparently.

4.3.5 Funds with a focus on other asset classes

Funds that cannot be assigned to the asset classes described above – e.g. certain absolute return strategies, alternative or structured investment concepts – are not systematically assessed with regard to sustainability and are generally not part of the sustainable investment universe.

In sustainable investment solutions that combine several asset classes such as equities, bonds and other investment instruments, such investments can be taken into account to a limited extent, for example for reasons of diversification, liquidity or portfolio efficiency.

4.4 Exceptions

In justified individual cases, consideration can be given to whether investments can be included or left in the sustainable investment universe even though they do not fulfil individual formal sustainability criteria. Such deviations are exceptions and do not replace a systematic sustainability assessment. Exceptions are always case-by-case decisions that are objectively justified and limited in time or content, unless expressly agreed otherwise.

Exceptions are considered in particular if objective reasons temporarily complicate a definitive sustainability assessment, for example due to limited data availability, methodological differences between ESG data providers, specific investment structures (e.g. collective investment schemes) or a sustainable investment approach that is demonstrably being developed or credible, structured improvement or engagement processes in the event of identified ESG weaknesses.

Exceptional decisions are restrictive, transparent and only after approval by the relevant ESG committee. They are documented internally and carried out in accordance with the defined governance and control processes of GKB.

Clarification:
Exceptions in accordance with this section only apply to substantiated individual decisions on a case-by-case basis. The ongoing monitoring of the sustainability criteria and any withdrawals from the sustainable investment universe are not part of exemption decisions and are governed in the following sections 4.5 and 4.6.

4.4.1 Exception for direct investments

In the case of direct investments, the following configurations in particular may be used:

a) Sustainable bonds
Sustainable bonds (e.g. green, social or sustainability bonds) can be included in the sustainable investment universe provided they comply with a recognised ICMA framework (e.g. the Green Bond Principles or Social Bond Principles) and an independent second-party opinion (SPO) is available.

b) Issuers without MSCI ESG coverage
Issuers without an MSCI ESG rating are generally not included in the sustainable investment universe. An exception can be considered in particular for certain CHF bond issuers if defined requirements are met, such as a clear connection

with Switzerland, classification in specific issuer segments (e.g. cantons and municipalities, hospitals, railway infrastructure or energy providers) and consideration of a recognised external ESG reference framework. GKB does not enter ESG data into the systems for such issuers and these are not included in ESG metrics at portfolio level.

c) Very serious controversies
Issuers that are involved in very serious ESG controversies according to analyses by external ESG data providers – in particular MSCI ESG – are generally considered non-investable and will not be included in the sustainable investment universe.

An exception may be reviewed in justified individual cases if additional reliable information justifies a different assessment or if there is a clearly defined, credible engagement or improvement process aimed at demonstrably addressing the identified ESG weaknesses.

4.4.2 Exception for third-party funds
In justified individual cases, a fund may be included or remain in the sustainable fund universe even though it does not fulfil individual formal criteria. This applies in particular to funds with a clearly defined sustainability theme focus or funds for which a binding sustainability approach is demonstrably in the process of being established or receiving regulatory approval.

Funds can also be considered if sustainability-related anomalies are addressed through credible, structured engagement or improvement processes.

Exceptions do not replace a fundamental assessment of the sustainability strategy at fund level.

4.5 Ongoing update and review of the sustainability assessment

The review is carried out both periodically and on an ad hoc basis. The results are documented internally and incorporated into the ongoing assessment of the sustainable investment universe. In the event of significant deviations, the investments concerned are examined in detail and, if necessary, appropriate follow-up measures are initiated. The organisational control functions, deadline logic and escalation and decision-making processes are set out in section 7.

4.6 Dealing with withdrawals from the sustainable investment universe

Withdrawals are documented internally in a traceable manner and carried out in accordance with the applicable control processes. The specific implementation, deadline logic and any escalations are carried out in accordance with the control and monitoring processes described in section 7.

5 Sustainability objective (compatibility objective)

GKB's sustainability objective in terms of a compatibility objective refers solely to sustainable investment solutions. It aims to systematically promote environmental and/or social characteristics and improve the sustainability quality of investments relative to a reference parameter without making a specific pledge of effect or impact.

The sustainability quality of an investment is determined by its ESG score. The ESG score serves as a central, external measure that reflects the relative severity of an issuer's or fund's environmental, social and governance risks compared to a relevant peer group. GKB relies on ESG scores from external providers, in particular MSCI ESG, which enable a rule-based and comparable assessment.

The objective is based on a best-in-class frame of reference. Issuers with a robust ESG score are given a preferential peer weighting within their peer group, while issuers with a weak ESG score tend to receive a lower weighting. There is no automatic exclusion based solely on low ESG scores.

Target achievement is monitored using suitable sustainability indicators, in particular by means of aggregated ESG metrics at portfolio level compared to a suitable reference figure using external ESG data. The financial risk/return target remains decisive in all cases.

The specific design, measurement and reporting of the sustainability objectives may vary depending on the product, fund or mandate and is specified in the respective product documents, sustainability reports or supplementary methodology documents.

6 Categorisation of GKB investment solutions by degree of sustainability

GKB's own funds and investment solutions are categorised according to the extent to which sustainability and ESG criteria are taken into account in the investment process. Categorisation creates transparency on how ESG criteria are taken into account in the respective investment processes.

6.1 Basic classification

GKB offers investment solutions with different sustainability characteristics. These differ according to the extent to which ESG criteria are taken into account in the investment process and whether an explicit sustainability objective is pursued in addition to financial objectives.

The classification is independent of the specific investment form (e.g. fund, asset management or investment advisory services) and refers to the investment process on which the investment solution is based.

6.2 Categories of investment solutions

On this basis, GKB distinguishes between three categories of investment solutions:

- **Traditional investment solutions**
  ESG criteria are not taken into account systematically or in a binding manner. Investment decisions are based primarily on financial criteria.
- **ESG investment solutions**
  ESG criteria are systematically integrated into the investment process, in particular for identifying and managing ESG risks. These investment solutions do not pursue an explicit sustainability or impact objective.
- **Sustainable investment solutions**
  In addition to financial objectives, sustainable investment solutions pursue an explicit sustainability objective in the sense of a compatibility objective. The investment solutions are geared towards systematically promoting environmental and/or social characteristics; no specific impact or target achievement is guaranteed

The specific design of the sustainability approaches, including the exclusion criteria applied, ESG integration, best-in-class approaches or stewardship elements, depends on the investment solution in question.

6.3 Transparency and product documentation

The allocation of individual investment solutions to the categories mentioned and further information on the sustainability approaches, objectives and reporting formats used are described in detail in the respective product descriptions, contractual documents and on the GKB website.

6.4 Client ESG preferences

As part of its investment advisory services and asset management, GKB surveys the ESG and sustainability preferences of its clients in accordance with the self-regulatory rules applicable in Switzerland. These are used to allocate suitable investment solutions and design the investment strategy and are documented in a comprehensible manner in the advisory services and mandate process.

GKB provides further information on taking ESG preferences into account in the investment process in a suitable and transparent manner, in particular on its website (gkb.ch/ESG-praeferenzen).

7 Monitoring and dealing with deviations

The following control processes flesh out the decision-making and management structures described in section 3.1 by means of a tiered control model (three lines of defence) and regulate the monitoring of sustainability-related requirements and the handling of deviations in the investment business of GKB.

First line of defence (selection/implementation):
The first line of defence comprises the selection process along the relevant investment universes as well as implementation and ongoing management in the investment solutions and own funds of GKB.

a) **Selection process**
The Chief Investment Office is responsible for defining the selection criteria for individual securities and third-party funds. This includes the criteria for creating the sustainable investment universe of GKB. Compliance with the selection criteria is the responsibility of the relevant portfolio manager or fund selection specialist group. This includes, but is not limited to, reviewing ESG ratings, ESG scores, integration and exclusion criteria.

b) **Implementation process**
As part of the ongoing running of asset management mandates and the management of own funds, Investment Management ensures that the respective contractual requirements, internal regulations and sustainability-related criteria are followed.

Implementation ensures that the sustainable investment process is followed. Review takes place before investment decisions are made and in the event of significant portfolio changes or ESG-relevant events. Any deviations identified are corrected in accordance with internal instructions.

Second line of defence (Controlling/Compliance)
Investment Controlling acts as an independent, second reviewer and monitors compliance with investment and sustainability requirements. It assumes specialist compliance responsibility in the investment business and ensures that relevant regulatory and internal requirements are applied consistently.

Investment Controlling also monitors compliance with the sustainable investment process. Checks are carried out regularly and on an ad hoc basis, for example in the event of significant portfolio changes or ESG-relevant events.

Third line of defence (Internal Audit):
Internal Audit reviews the appropriateness and effectiveness of the governance and control processes at appropriate intervals.

Dealing with deviations and deadline logic:
If deviations from defined sustainability requirements are identified, suitable measures are taken in accordance with the monitoring and control processes set out in the direc-

tives and instructions. Depending on the nature of the deviation, this includes an immediate block on new investments (especially in the event of new exclusion violations or issuers that are no longer investable), prompt adjustment of existing positions within defined deadlines or – if objectively justified – a documented transitional arrangement and/or escalation to the ESG Committee.

ESG Committee (escalation/exceptions):
The ESG Committee approves justified deviations at a functional level. Approved deviations and exceptions are documented on a case-by-case basis and reviewed periodically; they are limited in time or subject matter, unless expressly agreed otherwise. The topic of stewardship, which is part of the sustainable investment process, is overseen by the ESG Committee. The control function is defined in the GKB Investment Stewardship Policy.

Monitoring in investment advisory services
In investment advisory services, compliance with minimum sustainability-related requirements is supported by an approved advisory universe and ESG profiles stored in the advisory tool. Any deviations are addressed and documented in the advisory process.

8 Stewardship

The following provisions flesh out the organisational anchoring, governance and implementation of the stewardship activities of GKB. They serve to legitimise the exercise of ownership rights in the investment business and regulate responsibilities, principles and control mechanisms. GKB's stewardship activities are carried out in accordance with recognised market standards and are set out in detail in the GKB Investment Stewardship Policy.

8.1 Organisational anchoring

Stewardship is embedded in the investment business of GKB in organisational terms and is part of the sustainability-related governance structures. The bank's ESG Committee is responsible for the technical design, implementation and further development of stewardship activities. This ensures that stewardship is implemented in a manner consistent with the sustainability policy, the regulatory requirements and the sustainability approaches applied.

8.2 Voting

GKB promotes the exercise of voting rights where possible and reasonably practicable. In the case of own funds, this is structured in accordance with defined voting guidelines by the responsible fund management companies, based on recognised corporate governance standards and the UN PRI.

In the case of funds from third-party providers, GKB expects voting rights to be exercised on a fiduciary basis, taking sustainability aspects into account, as well as transparent reporting.

In the case of direct investments, clients generally decide for themselves whether to exercise their voting rights; GKB will inform them of the available options within the framework of the applicable regulatory and contractual provisions.

8.3 Commitment, collaboration and initiatives

GKB primarily implements engagement activities on a bundled basis, in particular in the context of collective or collaborative approaches with specialised partners such as Ethos Services SA, which conduct a structured dialogue with companies on financially relevant ESG topics on behalf of GKB.

GKB also maintains an ongoing dialogue with asset managers of third-party funds regarding their sustainability and stewardship approaches. To increase its impact, the bank also participates in selected investor and industry initiatives, including Climate Action 100+, as well as in specialist organisations such as Swiss Sustainable Finance (SSF), the Asset Management Association Switzerland (AMAS) and as a signatory of the UN PRI. These activities serve to further develop credible market standards in the area of sustainability and stewardship.

8.4 Integration and delimitation

Insights from the exercise of voting rights, engagement and initiatives can be incorporated into the ESG analysis and investment process where relevant. Stewardship does not replace investment decisions and does not establish an independent sustainability or impact objective. The success of engagement activities cannot be guaranteed and usually unfolds over a longer period of time.

The detailed rules on the implementation of stewardship are set out in the GKB Investment Stewardship Policy, which is approved by the Investment Committee and brought to the attention of the Executive Board in accordance with the applicable rules governing powers and delegation.

9 ESG reporting

GKB's ESG reporting serves to provide investors with transparent information about the relevant sustainability characteristics of their investments as part of the investment advisory services and asset management (investment solutions) offered by the bank. If it is part of the respective service offering, it is integrated in the client's individual statement of assets and in particular includes information on ESG ratings, selected climate-related key figures and other ESG-related aspects at portfolio level and – where relevant – for selected individual positions.

In the case of sustainability-related investment solutions, GKB provides supplementary, solution-specific information on its sustainability orientation, the sustainability approaches and criteria applied and – in the case of sustainable investment solutions – the sustainability objective pursued on its website (gkb.ch/anlegen-nachhaltigkeit).

GKB also provides product-specific ESG information and reports on its website (gkb.ch/anlagefonds) for collective investment instruments, in particular its own investment funds. These are based on the applicable regulatory requirements, the relevant self-regulation (particularly AMAS) and recognised industry standards.

10 Data suppliers and service providers

Data is currently obtained from the following external data suppliers and service providers for implementing the sustainability policy:

Sustainability approach	Data supplier or service provider
Exclusions to avoid controversy	MSCI ESG
	SVVK-ASIR
Best-in-class	MSCI ESG
ESG integration	MSCI ESG
Stewardship (Active ownership)	**Proxy voting** No direct mandate by GKB*
	Engagement Ethos Services AG (100% subsidiary of the Ethos Foundation)

* In the case of own funds, voting rights are exercised by the relevant fund management companies. GKB has not mandated its own voting rights service provider. The fund management companies may use external voting service providers for preparation, analysis, and operational support; decision-making responsibility always remains with the fund management company.

Glossary

The following terms are to be understood in the context of this GKB Sustainable Investment Policy and are intended to clarify the terminology used in this document.

Term	Explanation
AMAS	Asset Management Association Switzerland, the professional association of the Swiss asset management industry, which issues self-regulation in the area of sustainable finance, among other things.
Investment solutions	All investment concepts, strategies or mandates, including asset management mandates or advisory solutions based on a defined investment process.
Investment products	Specific financial instruments or structured products offered to clients for investment.
Investment universe	All investments and investment instruments that, on the basis of defined criteria, are generally eligible for investments by GKB or for purchase recommendations to clients, regardless of whether they meet minimum sustainability or ESG requirements.
Exclusions	Sustainability approach that systematically avoids investments in certain issuers, business activities or business models that are not compatible with the defined sustainability requirements of GKB.
Best-in-class (Equities/bonds)	In this approach, portfolio construction is designed to outperform a benchmark on sustainability aspects based on binding criteria (e.g. portfolio better than benchmark, overweighting good stocks, underweighting bad stocks, or avoiding bad stocks in peer comparison). Exceptions to the binding criteria are possible, but must be clearly specified.
Best-in-class (Real estate)	Under this approach, portfolio construction/development and/or investment decisions for transactions are made on the basis of binding criteria in order to outperform a peer comparison with the portfolio or the properties compared to a benchmark portfolio or benchmark. Exceptions to the binding criteria are possible, but must be clearly specified.
Direct investment	Investment in individual financial instruments such as equities or bonds of an issuer, without intermediation of an investment fund.
Third-party funds	Investment funds that are not managed by GKB itself, but by external fund providers or asset managers.
Issuers	Companies, countries or other legal entities that issue investable financial instruments.
ESG	Collective term for environmental, social and governance aspects that can be taken into account when making investment decisions.
ESG investment solutions	Investment solutions where ESG criteria are systematically integrated into the investment process, in particular for identifying and managing ESG risks, without pursuing an explicit sustainability objective.
ESG data	Quantitative and qualitative information on environmental, social and governance aspects of issuers, countries or funds used to assess ESG risks and opportunities.
ESG data suppliers & service providers	External providers of ESG data, analyses, voting or engagement services used to implement sustainability policy in the investment business.
ESG Committee	GKB's internal specialist committee responsible for structuring, further developing and consistently applying the sustainability requirements in the investment business.
ESG integration	Systematic consideration of ESG criteria in financial analysis and in the investment process to identify relevant risks and opportunities.
ESG preferences	Sustainability-related preferences of clients with regard to the consideration of ESG criteria as part of investment advisory services or asset management.

Term	Explanation
ESG controversies	Events or incidents relating to an issuer's environmental, social or governance aspects that indicate possible breaches of internationally recognised norms, standards or corporate due diligence obligations and may give rise to financial, legal or reputational risks.
ESG rating/ESG score	An assessment provided by external data providers that assesses a relative assessment of an issuer or fund's ESG risks and opportunities.
Climate alignment (equities/bonds)	The climate alignment of a portfolio refers to reducing the environmental footprint over time by reducing the greenhouse gas emissions of the portfolio or the emitters in it over time. Greenhouse gas emissions should follow the definition of the Greenhouse Gas (GHG) Protocol and include at least Scope 1 and Scope 2, ideally also Scope 3 in sectors where Scope 3 emissions make a material contribution to total emissions. The climate alignment should formulate a long-term objective, supplemented by interim objectives. The methodology used should be based on internationally recognised standards such as the PAII Net Zero Investment Framework, the UN Asset Owner Alliance Target Setting Protocol or the Science Based Target Initiative for Financial Institutions.
Climate alignment (real estate funds)	The climate alignment of a real estate fund refers to the achievement of the legal requirements applicable in Switzerland or an internationally recognized net-zero target for the real estate fund by 2050 at the latest and shows a binding plan for achieving this target.
Minimum proportion of sustainable investments	Prescribed figure within a sustainable investment solution defining the minimum proportion of investments that qualify as sustainable in accordance with the sustainability criteria defined by GKB and are allocated to the sustainable investment universe.
MSCI ESG	External ESG data source providing ESG ratings, scores and other sustainability-related analyses to companies, countries and investment funds.
Sustainable investment solutions	Investment solutions that, in addition to financial objectives, pursue an explicit sustainability objective in the sense of a compatibility objective and specify a defined minimum proportion of sustainable investments to achieve this objective.
Sustainable investment universe	GKB's sustainable investment universe comprises all investment instruments that meet the sustainability requirements defined by the bank.
Sustainability approaches	Methodological elements of the investment process that address sustainability and ESG aspects in a structured manner, such as exclusions, ESG integration, best-in-class, climate alignment or stewardship.
SSF	Swiss Sustainable Finance, industry organisation promoting sustainable financial services in Switzerland.
Stewardship	Sustainable investment approach where investors actively exercise their rights and influence to protect and promote the long-term value of investments.
Stewardship policy	GKB rules that define the principles, responsibilities and implementation arrangements for stewardship activities.
Traditional investment solutions	Investment solutions where sustainability and ESG criteria are not systematically or bindingly integrated into the investment process.
UN PRI	United Nations Principles for Responsible Investment, which provide voluntary guidance on integrating ESG criteria into the investment process.
Compatibility objective	A sustainability objective that aims to systematically promote environmental and/or social characteristics and improve the sustainability quality of investments relative to the market without making an impact or impact promise.