J. Safra Sarasin

Principles for Responsible Banking – Reporting and Self-Assessment

Bank J. Safra Sarasin Ltd
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Sustainable Swiss Private Banking since 1841

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Introduction

The Principles for Responsible Banking (PRB) are a framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future as expressed in the Sustainable Development Goals (SDGs) and the Paris Climate Agreement. The PRB provide a framework for a sustainable banking system which helps the industry to demonstrate how it makes a positive contribution to society. The signatories embed sustainability at the strategic, portfolio and transactional levels, and across all business areas. As a founding signatory of the PRB, Bank J. Safra Sarasin Ltd (the "Bank") is strengthening its efforts to align itself with the Paris Agreement, as well as the SDGs.

This document outlines the Bank's PRB Reporting and Self-Assessment with references to the following publications:

- AR 2022 Annual Report 2022, available here (PDF)
- SR 2022 Sustainability Report 2022, as part of the AR 2022, p. 82ff. (PDF)

Where other resources are used, they are indicated in this report. The dedicated Bank J. Safra Sarasin sustainability website is available here: Link.

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

1.1 Business Model:
Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Bank J. Safra Sarasin Ltd (the "Bank") is a leading Swiss full-service private bank, which has consciously opted for sustainability as a key component of its corporate philosophy for over 30 years. Within Switzerland, the Bank has offices in Basel (head office), Berne, Geneva, Lucerne, Lugano and Zurich. The Bank provides a high service quality and expertise when acting as an investment advisor and asset manager for private and institutional clients with the majority of its assets under management booked in Switzerland. As a privately-owned bank, sustainability is in Bank J. Safra Sarasin's DNA and its mission is to enable clients to achieve their financial and sustainability goals by providing superior investment solutions. The Bank's offering includes the following core financial services:

- Private Banking (Discretionary portfolio management, advisory, custody & execution)
- Asset Management (Research, Portfolio Management, Fund Management)
- Trading and Treasury
- External Asset Management Services (In-house expertise, personalised services)

AR 2022
- Group Chairman's Foreword & Report of the BoD (p. 6-7)
- Year in Review by the Bank's Chairman and CEO (p. 12-13)
- Bank J. Safra Sarasin (p. 32)

SR 2022
Bank J. Safra Sarasin (p. 82ff)

1.2 Strategy Alignment
Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?
☒ Yes ☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks. Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

☒ UN Guiding Principles on Business and Human Rights
☒ International Labour Organization fundamental conventions
☒ UN Global Compact
☐ UN Declaration on the Rights of Indigenous Peoples
☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: The Bank is preparing diligently for changes under Art. 964a of the Code of Obligation and the Ordinance on Climate disclosures passed by the Swiss Federal Council in November 2022.
☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones:
☐ None of the above

For over 30 years, sustainability has been embedded in the Bank's corporate values, investment philosophy and core investment offering. As a pioneer and thought leader in sustainability, the Bank is constantly evolving its corporate strategy to remain at the forefront of the sustainable investment market and related global initiatives. To this end, the Bank routinely analyses the sustainability impacts and opportunities of its investment activities. The Sustainable Investment Approach and Sustainable Investment Tools outline how the Bank identifies sustainability risks, reports on impacts and creates opportunities in line with societal goals by contributing to the realisation of the SDGs and the Paris Agreement.

Bank J. Safra Sarasin was a founding signatory of the Principles of Responsible Investment (PRI) and the Principles for Responsible Banking (PRB). In May 2020, the Corporate Sustainability Board published a Climate Pledge for J. Safra Sarasin Asset Management, aiming for a net-zero outcome by 2035, with a clear transition path for all addressable assets under management. In September 2020, the Bank became the first Swiss institution to sign the Finance for Biodiversity Pledge. In 2021, J. Safra Sarasin Sustainable Asset Management joined the Net Zero Asset Managers Initiative, supporting the Climate Pledge and aligning its investments with the Paris Climate Agreement.

AR 2022
- Group Chairman's Foreword & Report of the BoD (p. 6-7)
- Year in Review by the Bank's Chairman and CEO (p. 12-13)

SR 2022
- Introduction (p. 82ff)
- Sustainable Investment Approach (p.89-90)
- Sustainable Investment Tools (p.91-96)
- Supporting the Sustainable Development Goals (p.102-103, 117)

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1):
Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly[1] and fulfil the following requirements/elements (a-d)[2]:

a) Scope:
What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Bank J. Safra Sarasin is renowned for its expertise in wealth and asset management. Its business model focuses on providing clients with high-quality private banking and asset management services, an approach that has proved successful over the years. In terms of impact, it is important for the Bank to focus on those businesses where it has the most control over the final investment decisions, allowing it to steer the investment strategy and set achievable sustainability targets. The Bank's impact is derived from the products offered by the J. Safra Sarasin Sustainable Asset Management (hereafter JSS SAM) department, such as the sustainable investment funds, and from the investment decisions made by its clients within their private investment portfolios. While Bank J. Safra Sarasin has limited influence on the investment decisions made directly by end clients in their private portfolios, JSS SAM can define the product offering and the investable universe with regard to the most important sustainability challenges. Therefore, the target setting was focused on the asset management part of the Bank's business.
For the UN PRB initiative, the Bank is therefore convinced that its Asset Management division represents the most relevant impact area, given the higher level of stewardship and discretion it has over the underlying assets. The impact analysis conducted therefore focuses on J. Safra Sarasin Sustainable Asset Management, managing CHF 38.7bn of sustainable assets as of 31 December 2022 (including the fund offering and discretionary assets for private and institutional clients).

b) Portfolio composition:
Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- by sectors & industries[3] for business, corporate and investment banking portfolios (i.e. sector exposure, industry breakdown in %),
- by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

[1] That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.
[2] Further guidance can be found in the Interactive Guidance on impact analysis and target setting.
[3] Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here

JSS SAM operates globally and is exposed to the full range of broader risks prevalent in each market. JSS SAM covers a broad range of products, investing primarily in the secondary market in both developed and emerging markets using liquid asset classes. Depending on client demand, sector and industry exposure can vary over a short time horizon. Rather than relying on a temporary snapshot of the investment portfolio to determine the relevant sustainability factors, JSS SAM has established a structured process to identify the most material sustainability factors for each company and industry as part of its sustainable investment process. By excluding high climate risk assets, such as companies that are heavily dependent on coal, JSS SAM can ensure that these are excluded from all sustainable investment strategies. As part of the investment analysis, a sustainability analysis is performed for each company and its industry and translated into a proprietary ESG rating (A-D) for a universe of close to 10,000 companies. The investment analyst defines the material sustainability factors of each industry/sector and analyses each company against these factors. The relevant externalities are categorised into ESG themes and underlying issues. The assessment considers direct and indirect impacts along the value chain and in relation to the UN Sustainable Development Goals and the Paris Agreement. The combination of the company and sector ratings results in the proprietary J. Safra Sarasin Sustainability Matrix ®. In exposed sectors with low ratings (e.g. oil & gas), companies must achieve a high company rating to be included in the investment universe. By following the defined investment process and relying on the J. Safra Sarasin Sustainability Matrix ®, JSS SAM ensures that material sustainability factors are defined on an industry-specific basis and are considered by each sustainable investment strategy (which only invest in A or B rated companies) rather than applying them on a case by case basis.	**SR 2022** • Sustainable Investment Tools (p.91-96)

c) <u>Context:</u>
What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate[4]? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

As a global investor, JSS SAM is focused on supporting global societal goals, explicitly the Paris Agreement and the Social Development Goals (SDGs). One of the main challenges in supporting these global goals is to ensure that the individual investment strategies are aligned with these goals and that they are firmly embedded in the investment process. JSS SAM conducts extensive industry and company research to define the investable universe and asses the sustainability related risks and opportunities for each company/industry. Through its rigorous research and screening process, JSS SAM ensures that it invests in companies that align with its sustainability goals while simultaneously promoting environmental awareness globally. Over the years, JSS SAM has developed a range of proprietary tools (SDG Engine, Climate Engine, ESG Reporting, etc.) to enable its portfolio managers to take these global goals into account and allowing them to align their portfolios with it. In addition to embedding these objectives in individual portfolios, JSS SAM has an overarching active ownership strategy that includes engagement and proxy voting to encourage companies to contribute to the achievement of these societal goals.	**SR 2022** • Active Ownership (p.95-96) • Paris Alignment (p. 97-99) **Active Ownership Report 2022** • Climate Engagement (p.9-10) • Collaborative Investor Engagements (p.15-16)

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)[5]? Please disclose.

4 Global priorities might alternatively be considered for banks with highly diversified and international portfolios.
5 To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

Based on the sustainability analysis performed, the following two impact areas with potential positive and negative impacts have been identified for the JSS SAM universe:

SR 2022:
- Sustainability Matrix (p.93)
- Climate Pledge (p.97-99)

Climate Change Mitigation
As part of the annual methodology update of the J. Safra Sarasin Sustainability Matrix ® and ESG rating, the sustainability risk factors assigned to each sub-sector of the investment universe are reviewed and reweighted by the sustainability investment analyst. Based on their research, each sub-industry is assigned a set of sustainability risk factors that are considered material to the long-term economic success of the company. When analysing these sustainability risk factor ratings across all subindustries, it is clear that carbon emissions are considered a key factor for the majority of subindustries. In 144 out of 165 sub-industries (87%), carbon emissions are a relevant sustainability risk factor, with a weight of up to 50% (average 10%) in the final ESG rating. Based on the assessment of its investment analysts, the Bank is therefore convinced that climate change risks and opportunities are material to its business and has set out to address them throughout its sustainable investment approach. Reducing the carbon emissions of its investments therefore benefits both clients, by reducing potential long-term investment risk, and society as a whole, by incentivizing companies to reduce their carbon emissions and thus contribute to the achievement of the Paris Agreement.

Biodiversity
Based on a growing body of evidence, leading research and even real-world observations, Bank J. Safra Sarasin has been convinced for years that biodiversity will be the next major area of impact, not least because of its close links to climate change. This understanding covers both the dependency on biodiversity and the impact of invested companies on biodiversity. In September 2020, the Bank became the first Swiss institution to sign the Finance for Biodiversity Pledge. As a signatory, the Bank recognises the need to protect biodiversity. In addition to cooperation and knowledge sharing, the Bank commits to engage with companies by including biodiversity in its ESG policies.

d) Performance measurement:
Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context. In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank’s current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank’s activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex. If your bank has taken another approach to assess the intensity of impact resulting from the bank’s activities and provision of products and services, please describe this.

Climate Change Mitigation
For each investment strategy, JSS SAM is able to use a variety of proprietary tools and indicators to assess the climate change risk as well as the impact of the strategy on the environment. These indicators for example include the carbon footprint/intensity on a company and industry level, as well as the contribution to the overall carbon footprint of the strategy. This climate risk analysis focuses on long-term and tail risks arising from climate change and the respective changes in the regulatory environment. JSS SAM also measures the share of fossil fuel reserves per strategy, the SDG contributions as well as the warming potential of the overall strategy. Due to this established portfolio reporting, JSS SAM is able to identify the strategies that have to be altered in order to achieve the sustainability targets set.

Biodiversity
For the biodiversity target, JSS SAM is in the process of evaluating the best option for measuring impacts and dependencies and establishing an appropriate tool for measuring biodiversity impacts and dependencies. In 2022, JSS SAM has evaluated several potential data providers for biodiversity data points and conducted a first test analysis of a client portfolio based on a proprietary methodology developed in-house. JSS SAM is now in the process of evaluating the best biodiversity data partner

and will begin integrating the new biodiversity into the standard analysis toolset once the robustness of the model and the reliability of the data have been assured.

Self-assessment summary:
Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?[6]

Scope:	☒ Yes	☐ In progress	☐ No
Portfolio composition:	☒ Yes	☐ In progress	☐ No
Context:	☒ Yes	☐ In progress	☐ No
Performance measurement:	☐ Yes	☒ In progress	☐No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

How recent is the data used for and disclosed in the impact analysis?
☐ Up to 6 months prior to publication
☒ Up to 12 months prior to publication
☐ Up to 18 months prior to publication
☐ Longer than 18 months prior to publication

2.2 Target Setting (Key Step 2):
Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis. The targets[7] have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target:

a) Alignment:
which international, regional or national policy frameworks to align your bank's portfolio with[8] have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

Climate Change Mitigation
JSS SAM had identified the Paris Agreement and its ambition to become Net Zero by 2050 as the most relevant framework for its Net Zero Commitment and aligns with the Net Zero Asset Management (NZAM) framework for its implementation. Next to the NZAM guidelines, JSS SAM also considers the Social Development Goals (SDGs) when implementing its climate change targets.

SR 2022:
- Climate Integration in the Investment Process (p.91)
- Climate Pledge (p.97-99)
- Climate Portfolio Indicators (p.101-102)
- Net Zero Asset Managers Initiative (p.118)

[6] You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.
[7] Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB
[8] Our bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals

Biodiversity
As a member of the Finance for Biodiversity Pledge and the UN PRB, JSS SAM will consider the methodological guidelines issued by these two bodies when formulating its SMART targets. For its biodiversity targets, JSS SAM will also consider the most relevant emerging standards as they are published, such as the Kunming-Montreal Global Biodiversity Framework and the guidelines published by the Science Based Targets Network (SBTN).

SR 2022:
- Biodiversity Engagement (p.96)
- Finance for Biodiversity Pledge (p.116)

b) Baseline:
Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline. You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target. A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of the PRB self-assessment template. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

For its Climate Change Mitigation goal, JSS SAM has already set a baseline and now continuously measures progress towards its end goal to have 100% of its sustainable assets under the Climate Pledge (details see table below). For biodiversity, the assessment of the baseline will be a part of the next steps in the program (see section d) Action Plan).

Climate Change Mitigation (Reporting according to Annex Indicators)		
Impact area	Indicator	Response
Climate change mitigation	A.1.1	**Climate Strategy: Does your bank have a climate strategy in place?** Yes, our Climate Pledge has been implemented in May 2020, having 2020 as its base year.
	A.1.2	**Paris alignment target: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?** Our Climate Pledge covers 100% of the addressable JSS SAM Sustainable Assets and aims for carbon-neutrality by 2035.
	A.1.3	**Policy and process for client relationships: has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?** In progress. JSS SAM offers a wide range of sustainable investment strategies for its clients to invest in and is proactively asking their clients for their sustainability preferences when setting up a new client relationship. The specialized sustainability research team of JSS SAM is regularly part of client meetings in order to educate and help clients define and achieve their individual sustainability goals within their portfolios.
	A.1.4	**Portfolio analysis: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?** JSS SAM measures the carbon intensity (EVIC based) of its sustainable investment strategies within the carbon pledge and reports it to the relevant controlling committee in order to ensure that these strategies are in line with their decarbonization pathway.
	A.1.5	**Business opportunities and financial products: Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?** JSS SAM offers a wide range of sustainable investment products concerning climate change mitigation, most prominently the Global Climate 2035 strategy. Moreover, the JSS SAM investment universe already excluded the most polluting business activities such as coal-investments, helping our clients to reduce their carbon footprint.

c) SMART targets

(incl. key performance indicators (KPIs)[9]): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Climate Change Mitigation

Recognizing the urgency and magnitude of the issue, the company has made a bold commitment to achieve Net Zero Emissions by 2035 as described in its Climate Pledge. Using the SMART-Formula, the following target can be derived:

Specific: Achieving a carbon-neutral outcome based on Scope 1 & 2 emissions (with the long-term target to include Scope 3 as well) for 100% of the in-house managed sustainability-consideration and sustainability-contribution assets of J. Safra Sarasin Sustainable Asset Management, which represent about 50% of all sustainable assets under management and are referenced as the “addressable assets”. The remaining 50% of the sustainable assets are covered by a separate Net Zero Commitment by Sarasin & Partners LLP in London.
Measurable: Yearly tracking of the portfolio share that has already implemented to outlined carbon pledge until 100% of the addressable assets are managed in line with the decarbonization pathway.
Assignable: The goal to include 100% of the assets is ambitious, but JSS SAM expects that growing client demand for Net Zero assets as well as political ambitions will support this goal and that new methodologies will allow to include further asset classes. Addressable assets are being defined as sustainable assets within asset classes where reliable methodologies are available and where JSS SAM has full stewardship over the assets.
Relevant: Achieving Net Zero is relevant for both the environment from an impact point of view as well as for the JSS SAM clients in order to reduce their carbon related investments risks.
Time-Bound: Achievement of the Climate Pledge until 2035

This represents a critical step towards addressing the global challenge posed by climate change and demonstrates JSS SAM’s leadership in creating a sustainable future for all. The Bank recognizes that achieving this goal will require significant investment and innovative solutions, but it remains committed to working collaboratively with stakeholders across industries to drive progress towards this vision. The targets of the Climate Pledge include:

1. Investing in companies whose solutions enable emission reductions
2. Engaging with relevant financial market participants and fostering collaboration
3. Focusing on analysing, mitigating and reporting financial risks of climate change investment strategies
4. Aiming for net-zero outcome in all addressable assets under management by 2035

Implementation

For the first objective, JSS SAM offers several investment strategies for investing in solution providers and as part of its active ownership approach, JSS SAM has a well-established engagement and proxy voting strategy to influence companies. In order to engage with market participants and to foster collaboration, J. Safra Sarasin is involved in various sustainability initiatives such as Swiss Sustainable Finance (SSF), where it proactively participates in working groups to steer the financial markets towards more sustainable business practices and to further promote sustainability standards.

SR 2022:

- Climate Integration in the Investment Process (p.91)
- Climate Pledge (p.97-99)
- Climate Portfolio Indicators (p.101-102)
- Net Zero Asset Managers Initiative (p.118)

Sarasin & Partners LLP

- Net Zero Action Plan 2022

[9] Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

For the JSS SAM Climate Pledge (objective four), the methodology is derived from the EU Benchmark Regulation of the EU Action Plan on Financing Sustainable Growth regulations on the Climate Transition Benchmarks. In the base year (defined as 2020), an upper threshold target for the CO2 footprint is set. In each subsequent year this target is reduced by 7%. This means that the objective "decarbonizes itself" over time. This process is followed until 2030, after which the objective is reduced linearly until it falls to zero in 2035. For benchmark-oriented strategies, the starting point is set at 30% below the benchmark. For non-benchmarked strategies, the starting point will be set at a fixed level, corresponding to the respective strategy.

Measurement
The JSS SAM ESG Committee reviews the yearly advancement of the portfolio share covered by the climate pledge, with the final goal to cover 100% of the addressable strategies. In order to ensure a strict monitoring, the Climate Pledge adherence for pledged portfolios has been added to the monthly Risk and Product Committee dashboard. The policy and implementation of the Climate Pledge outline its integration along the existing Sustainable Investment Tools and investment process with annual reduction targets.

Biodiversity
Biodiversity loss and its integration into the portfolio management process is still relatively new and therefore does not follow a finalised methodology. JSS SAM aims to formulate a SMART target, once standardised measurement approaches have been established, in order to actively begin to measure and improve the biodiversity impact of its investment portfolio. It is following the UN PRB's three-step approach of measuring, setting targets and reporting on progress. Until JSS SAM has a long-term biodiversity target, it will continue to integrate biodiversity factors into its investment process and actively engage on the issue. JSS SAM will use the UN PRB guidelines to formulate and implement its biodiversity targets, considering the important work of the Task Force for Nature Related Financial Disclosures (TNFD) and the guidelines of the Global Biodiversity Framework (GBF). In the meantime, JSS SAM has defined specific actions to further advance its biodiversity strategy (see d) Action Plan).

d) Action plan:
which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts

Climate Change Mitigation
In the past, JSS SAM has taken important steps to meet its strategic objectives. By excluding coal companies from its investment universe, JSS SAM has been able to reduce its carbon footprint relative to a broad market benchmark. The decision to exclude coal companies was based on the conviction that there is no viable alternative business model for pure-play coal companies, and therefore voting and engagement activities are futile.

By using its strategy level climate reporting, JSS SAM is able to identify strategies that can be added to the Climate Pledge, as well as strategies that require more extensive adjustment to align with the Climate Pledge. The sustainability team within Asset Management has been tasked with expanding the scope of the Climate Pledge and identifying the next investment strategies to be added. To this end, the sustainable investment team liaises closely with the portfolio management team and reports regularly to the ESG Committee and the Corporate Sustainability Board. JSS SAM's goal is to implement the climate pledge across 100% of addressable assets to achieve net zero emissions by 2035. JSS SAM is also beginning to explore options to include Scope 3 emissions in the Climate Pledge. At the end of 2022, the Climate Pledge was implemented for 19% of the addressable assets under management.

Biodiversity
The lack of a reliable methodology for measuring portfolio impact for the biodiversity target is a significant challenge. JSS SAM has taken proactive steps to contribute to an established methodology by joining the UN PRB Target Setting Workgroup. This demonstrates an active commitment not only to advancing its own efforts, but also to contributing to the development of

industry-wide standards and best practices for biodiversity target setting. Through continued collaboration and dialogue within these working groups, we anticipate that more comprehensive methodologies will be developed in due course - ultimately bringing the Bank closer to achieving our collective goals in conserving our planet's precious biodiversity. As a follow-up to JSS SAM's 2020 commitment to the topic of biodiversity, when it became a signatory to the Finance for Biodiversity Pledge, JSS SAM actively participated in related working groups that seek to develop a framework, including data analysis and methodology that manages the various challenges tied to this complex topic. This included engagements on topics such as Sustainable Aquaculture, Biodiversity Loss from Waste and Pollution and Animal Pharma in collaboration with the FAIRR initiative (details see Active Ownership Report 2022).

Biodiversity Goals for 2023:

1. Portfolio Analysis: Perform the first impact and dependencies analysis on a selected number of strategies in the JSS SAM sustainable investment universe in order to identify the main impact and dependencies, in line with Goal Nr. 15 "Disclosure" of the Global Biodiversity Framework (GBF).

2. Advancement of global standards: Contributing to Goal Nr. 15 of the GBF, JSS SAM has joined the UN PRB Target Setting workgroup to establish specific guidelines on how to set biodiversity loss targets.

3. Company Engagement: Based on its current investment process, JSS SAM is also evaluating different options to further integrate biodiversity loss in its engagement program, for example by joining the newly founded Biodiversity Nature 100 Engagement program.

Self-assessment summary:
Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your…

	… first area of most significant impact:	… second area of most significant impact: …	If you are setting targets in more impact areas) …your third (and subsequent) area(s) of impact:
Alignment	☒ Yes ☐ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☐ In progress ☐ No
Baseline	☒ Yes ☐ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☐ In progress ☐ No
SMART targets	☒ Yes ☐ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☐ In progress ☐ No
Action plan	☒ Yes ☐ In progress ☐ No	☒ Yes ☐ In progress ☐ No	☐ Yes ☐ In progress ☐ No

2.3 Target implementation and monitoring (Key Step 2)
For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target. Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2. Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Climate Change Mitigation

Since implementing the Climate Pledge, JSS SAM was able to increase the addressable AuM share under the climate pledge to 19% as of December 31st 2022 by successively adding more strategies to it. The addition of strategies to the Climate Pledge is centrally driven by the Sustainability Team in close collaboration with the Chief Investment Officer, the leader of the Asset Management & Institutional Clients department as well as the ESG Committee and the Corporate Sustainability Board.

SR 2022:

- Climate Integration in the Investment Process (p.91)
- Climate Pledge (p.97-99)
- Climate Portfolio Indicators (p.101-102)
- Net Zero Asset Managers Initiative (p.118)

Biodiversity

Given that JSS SAM has no portfolio level Biodiversity target yet, we cannot provide implementation progress at this point. However, JSS SAM has taken steps to integrate Biodiversity in its investment process, such as engaging with companies and starting to develop an impact and dependencies analysis module. In 2021, the Bank participated in the UN PRB working group that developed guidance on biodiversity target-setting. In 2022, the Bank participated in an investor group as part of a WWF working group to develop a company- specific biodiversity risk tool. Also in 2022, JSS SAM has developed a first Biodiversity Assessment tool enabling the closer analysis of the dependencies and impacts of portfolio holdings for clients. After the first application to a customer portfolio, this analysis is currently being refined and reviewed for broader usage.

- Biodiversity Engagement (p.96)
- Finance for Biodiversity Pledge (p.116)

In the Annual Sustainability Report, the integration of specific sustainability objectives, such as biodiversity, into the sustainable investment process is outlined.

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement
Does your bank have a policy or engagement process with clients and customers[10] in place to encourage sustainable practices?
☒ Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?
☒ Yes ☐ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities[11]. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved. This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

For over 30 years, sustainability has been embedded in the Bank's investment philosophy, processes and values. Its mission is to enable clients to achieve their financial and sustainability goals by providing superior investment solutions. The sustainability preferences of clients are captured as part of the standardised client advisory process. Sustainability is embedded as a standard in the Bank's core investment offering, and ESG considerations are integrated throughout the investment and advisory processes. The Bank believes that identifying, analysing and managing company- and sector-specific ESG risks and opportunities enhances its investment decisions. This is an integral part of its fiduciary duty to the clients it advises, as well as to the clients' assets it manages on a discretionary basis. A key aspect of the Bank's offering is its ability to discuss with clients their specific requirements across a wide range of sustainable investment approaches and criteria, enabling it to provide tailor-made client solutions. J. Safra Sarasin Sustainable Asset Management is increasingly expanding client reporting on ESG KPIs and is driving the implementation of its Climate Pledge. A number of sustainable investment strategies also target sustainable outcomes in line with the SDGs, which include contributing to social and/or environmental objectives.
In terms of the investment offering, our strategy-specific eligible JSS SAM investment universes are already based on thorough ESG analysis as a starting point, drawing on the deep expertise of the Sustainable Research team. Building on this foundation, various additional tools and engines are used to achieve the strategy-specific sustainability objectives, including Active Ownership, SDG-Engine or the Climate Engine.

SR 2022

- Client Sustainability Preferences (p.88)
- Investment Process (p. 88-96)
- List of exclusion criteria (p.91)
- Sustainability Reporting (p.101)

3.2 Business opportunities
Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

[10] A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.
[11] Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy

The JSS SAM sustainable investment approach offers *ESG Consideration* and *ESG Contribution* strategies. While *ESG Consideration* strategies promote environmental or social characteristics as well as good governance practices, *ESG Contribution* strategies have an explicit non-financial objective at their core that are aligned with a positive impact on society or the environment. In total, JSS SAM manages CHF 38.7 billion of sustainable assets, which represents 85% of all assets under management of the asset management business.

SR 2022:

- Sustainable Products (p. 107)

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation
Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups[12]) you have identified as relevant in relation to the impact analysis and target setting process?

☒ Yes ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Focusing on its clients, while balancing the needs of its employees as well as the requirements of society for long-term prosperity and the integrity of the environment, is paramount for the long-term strategy of the Bank. Therefore, the Bank regularly engages with relevant stakeholders such as private and institutional clients, employees, industry organizations and regulators. The Bank pursues an Active Ownership strategy through which it engages directly with investee companies, undertakes collaborative engagements with bigger shareholder groups, and carries out public policy engagements. The annual Active Ownership Report outlines the Bank's engagement activities.

Furthermore, the Bank actively participates in civil society initiatives through various sustainability commitments and working groups. This includes the Principles for Responsible Investment UN PRI, UN PRB, Finance for Biodiversity Pledge and Swiss Sustainable Finance to name a few. The different engagements yield different insights and outcomes in support of the Bank's sustainability objectives and the Bank's contribution to the achievement of society's sustainability goals.

SR 2022:
- Active Ownership Strategy (P.95-96)
- Sustainability Memberships and Initiatives (p. 114-17)

[12] Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Does your bank have a governance system in place that incorporates the PRB?

☒ Yes ☐ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Corporate Sustainability Board (CSB)
In 2014 the Group Executive Board set up the internal Corporate Sustainability Board, comprising members of the Group Executive Board and senior managers from different divisions across the Bank. Annually, several meetings are held to monitor progress against defined strategic objectives. The Corporate Sustainability Board's responsibilities are to develop the sustainability strategy as part of the Group's overall business strategy, and identify strategically relevant environmental, especially climate-related, as well as social themes.

Sustainability Advisory Council (SAC)
The Corporate Sustainability Board is advised by the external Sustainability Advisory Council, which has been set up to ensure regular guidance and advice related to recent developments in sustainable finance. It consists of selected, experienced international experts.

ESG Committee
The ESG Committee was established at J. Safra Sarasin Sustainable Asset Management to provide advice and facilitate decision making pertaining to the sustainable investment process.

SR 2022:

- Sustainability in the corporate strategy and governance (p.86-88)

5.2 Promoting a culture of responsible banking:
Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

The Bank's most valuable asset is its employees. The Bank therefore strives to live a sustainable corporate culture and to foster a diverse and respectful working environment, as described in the third objective. Employees receive sustainability training as part of their induction and participate in ongoing learning and development programmes. The Bank's remuneration structures and performance management incentivise staff to integrate sustainability considerations wherever possible and to perform their duties in a sustainable, customer-focused manner. Risk awareness is part of the qualitative performance assessment as indicated in the remuneration policy.

The Bank engages in knowledge sharing and leadership communication through a number of channels that address sustainability issues. Experts and analysts from J. Safra Sarasin Sustainable Asset Management participated in a wide variety and range of high-level on-site and virtual training sessions to advance the Bank's sustainability agenda and provide insights into the Bank's sustainable investment approach and sustainability challenges. In addition, the Bank has established a "Sustainability Ambassador Network" focusing on front-line employees (as well as all other interested employees) who receive regular training on sustainable finance and actively provide feedback/ideas to further promote dialogue between all levels of employees and the sustainability experts in the Sustainable Research department.

SR 2022:
- Respectful working environment (p.113 ff)
- Learning and Development (p.113)
- Sustainability Memberships and Initiatives (p. 114-17)

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?[13] Please describe. Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

At the Bank, sustainability is supervised at the highest levels and embedded at the core of the Bank's strategy. In 2019 the Bank's CEO signed the PRB. The members of the Group Executive Board participating in the Corporate Sustainability Board (CSB, see point 5.1) include the CEO and the COO, who is also the Chairman of the CSB. The responsibilities of the Corporate Sustainability Board encompass the monitoring and operational implementation of strategic sustainability initiatives as well as monitoring of on-going activities and measures based on environmental and social Key Performance Indicators (KPIs).

The following directives and policies are the base of the sustainability governance at Bank J. Safra Sarasin:
- J. Safra Sarasin Sustainable Investment Policy, 2023 (public)
- J. Safra Sarasin Active Ownership Policy, 2020 (public)
- J. Safra Sarasin Climate Pledge, 2021 (public)
- J. Safra Sarasin Sustainable Research Directive, 2022 (internal)
- J. Safra Sarasin Sustainability Governance, 2022 (internal)

All the public documents can be found on the website of Bank J. Safra Sarasin.

[13] Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes ☐ In progress ☐ No

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?
☒ Yes ☐ Partially ☐ No

If applicable, please include the link or description of the assurance statement.

The full assurance statement by SWA Swiss Auditors AG has been added on page 22-23 in this report.

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?
☐ GRI
☐ SASB
☐ CDP
☐ IFRS Sustainability Disclosure Standards (to be published)
☒ TCFD
☐ Other:

6.3 Outlook
What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis[14], target setting[15] and governance structure for implementing the PRB)? Please describe briefly.

In 2023/2024, JSS SAM will continue to implement the UN PRB Guidelines and closely track the advancements in the biodiversity space. By keeping up with the latest developments in biodiversity research and conservation efforts, JSS SAM can adjust its target as needed to ensure it is making a measurable impact.

[14] For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement
[15] For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.
What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).
If desired, you can elaborate on challenges and how you are tackling these:

☐ Embedding PRB oversight into governance ☐ Gaining or maintaining momentum in the bank ☐ Getting started: where to start and what to focus on in the beginning ☐ Conducting an impact analysis ☒ Assessing negative environmental and social impacts ☒ Choosing the right performance measurement methodology/ies ☐ Setting targets ☐ Customer engagement ☐ Stakeholder engagement	☒ Data availability ☒ Data quality ☐ Access to resources ☐ Reporting ☐ Assurance ☐ Prioritizing actions internally ☐ Other: …

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To the Management of
Bank J. Safra Sarasin Ltd.

Auditor's Limited Assurance Report of Bank J. Safra Sarasin Ltd. self-assessment of the Principles of the Principles for Responsible Banking

We have been engaged by the Management of Bank J. Safra Sarasin Ltd. to undertake a limited assurance engagement of Bank J. Safra Sarasin Ltd.'s self-assessment of its fulfilments of its commitments as a signatory of the Principles or Responsible Banking as per December 31, 2022. The self-assessment Template is disclosed on the Bank's website (Link) and defined on page 2-20. The reporting criteria against which this information was assessed are Bank J. Safra Sarasin Ltd.'s self-assessment of its fulfilments of its commitments as signatory of the Principles for Responsible Banking that are described on page 4-12 and 16-18 and cover the Principle for Responsible Banking assessment areas including 2.1 Impact Analysis, 2.2 Target Setting, 2.3 Target implementation and monitoring and 5 Governance & Culture.

Our assurance does not extend to any other information in the self-assessment.

Responsibilities of the Executive Management for the self-assessment

The Executive Management are responsible for the preparation of the self-assessment of Bank J. Safra Sarasin Ltd. fulfilment of its commitments as signatory of the Principles for Responsible Banking in accordance with the applicable criteria as set out in the Principles for Responsible Banking form United Nations Environment Programme Finance Initiative (UNEP FI). This responsibility also includes the internal control relevant to the preparation of a self-assessment that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the self-assessment based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the self-assessment and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The firm applies ISQM 1 (International Standard on Quality Management) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Bank J. Safra Sarasin Ltd. in

swa
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accordance with professional ethics for accountants in Switzerland and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. Consequently, the procedures performed do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Executive Management as described above. We consider these criteria suitable for the preparation of the self-assessment. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed; nothing has come to our attention that causes us to believe that the selected information disclosed in the self-assessment has not been prepared in all material respects in accordance with the criteria defined above.

SWA Swiss Auditors AG

Franco A. Straub	Marianne Müller
Licenced Audit Expert	Licenced Audit Expert

Pfäffikon/SZ, 15. September 2023

Important legal information

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Sustainability Rating Methodology

The environmental, social and governance (ESG) analysis of companies is based on a proprietary assessment methodology developed by the Sustainability Department of the Bank. All ratings are conducted by in-house sustainability analysts. The sustainability rating incorporates two dimensions which are combined in the J. Safra Sarasin Sustainability-Matrix®:

- Sector Rating: Comparative assessment of industries based upon their impacts on environment and society.
- Company Rating: Comparative assessment of companies within their industry based upon their performance to manage their environmental, social and governance risks and opportunities.

Investment Universe: Only companies with a sufficiently high Company Rating (shaded area) qualify for Bank J. Safra Sarasin sustainability funds.

Key issues

When doing a sustainability rating to individual companies, the analysts in the Sustainability Department assess how well companies manage their main stakeholders' expectations (e.g. employees, suppliers, customers) and how well they manage related general and industry-specific environmental, social and governance risks and opportunities. The company's management quality with respect to ESG risks and opportunities is compared with its industry peers.

Controversial activities (exclusions)
The screening for controversial business activities and practices represent a preliminary step of the Bank's sustainability analysis. The Sustainability Department applies several standard criteria in order to exclude business practices which are in breach of global norms and/or highly controversial business activities (e.g. armaments, tobacco, adult entertainment). The standard set for controversial business activities screening is embedded in all sustainable investment strategies and may lead to the exclusion of companies from the Bank's sustainable investment universe.

Data sources
The Sustainability Department uses a variety of data sources which are publicly available (e.g. company reports, press, internet search) and data/information provided by service providers which are collecting financial, environmental, social, governance and governance reputational risk data on behalf of the Sustainability Department.

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