

Net zero by 2050:

towards a low emission future



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Introduction

BLKB is a cantonal bank whose primary mandate is to provide financial services to individuals and businesses in Northwestern Switzerland. True to its mission statement, BLKB has been doing its part for the region for 160 years and is committed to sustainable development for people, society and the environment.

Protecting the environment is more important today than ever: The Earth's planetary boundaries have been breached, particularly in the areas of biodiversity and climate change.¹ Business leaders and policy-makers see five of the ten biggest risks in this decade as environmental risks.² Protecting the climate and addressing climate change is therefore crucial.

As a future-oriented bank, BLKB enables its clients to contribute to a more sustainable future through their financial decisions. BLKB effects positive economic, ecological and social changes through its climate-protection measures. BLKB is convinced that opportunities can be seized and risks simultaneously reduced, leading to improved performance metrics in the long term.

Voluntary commitments and, above all, regulatory requirements governing the role of banks in climate protection have evolved rapidly. BLKB plays an active part in this process, benefiting from dialogue with many different industry representatives and from its involvement in various organisations.

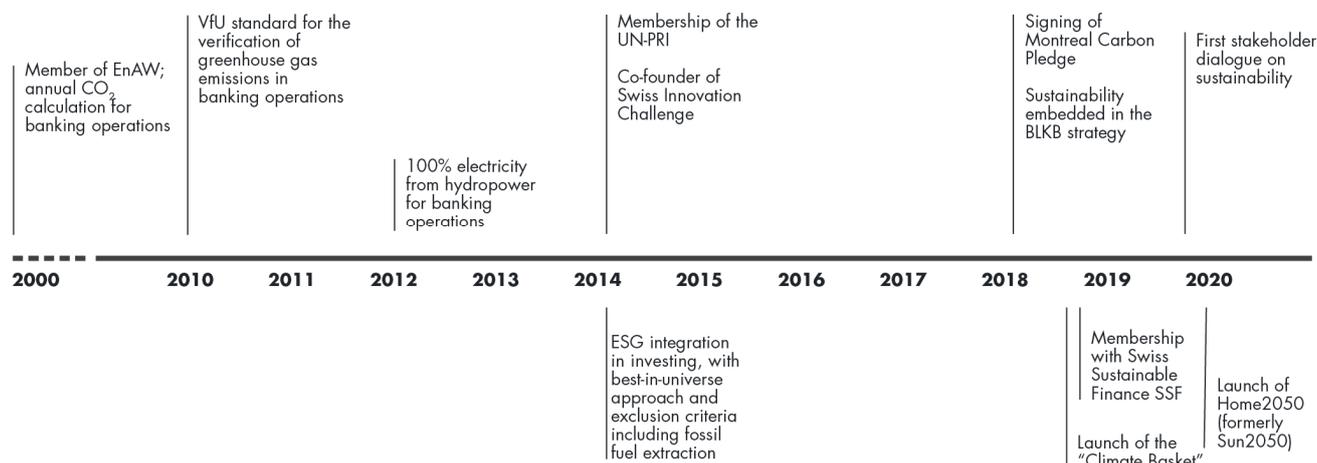
¹ Stockholm Resilience Centre 2023: <https://www.stockholmresilience.org/research/planetary-boundaries.html>

² World Economic Forum 2024 Global Risks Report: <https://www.weforum.org/publications/global-risks-report-2024/>

BLKB became the first regional bank in Switzerland to join the Net-Zero Banking Alliance (NZBA) in 2021. In doing so, it has committed to reducing its on-balance-sheet emissions to net zero by 2050 at the latest.

This plan for a low-carbon future is intended to provide an initial outline of how the bank intends to achieve this goal. It will be expanded on an ongoing basis – and corrected or adjusted where necessary – over the coming months and years.

Efforts with regard to sustainability and climate (2000 – 2020)



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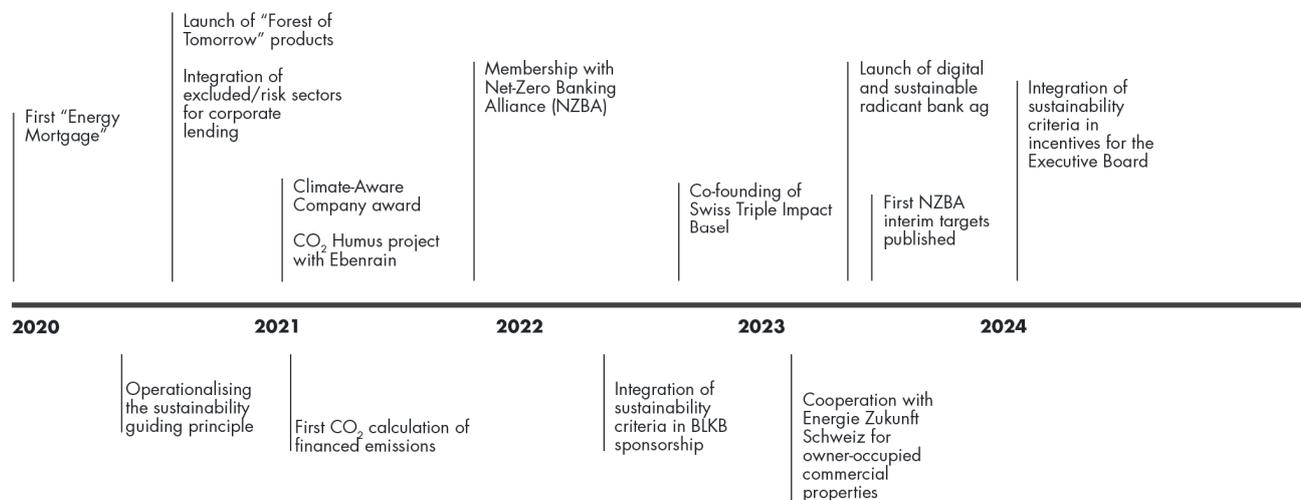


Figure 1: Historical sustainability and climate milestones 2000–2024

Since the turn of the millennium, BLKB has been working to reduce direct greenhouse gas emissions resulting from its business activities (Scope 1³). As reflected in the timeline (Figure 1), consistent further measures in the area of renewable energy (Scope 2) have been implemented.

Objectives for the reduction of other indirect emissions (Scope 3, Categories 1–14) have been added. The share of emissions attributable to the banks operations, at under 0.1%, is minimal by industry standards. The bank can demonstrate its direct influence on operational emissions as a role model for action.

³ The scopes are calculated according to the Greenhouse Gas Protocol: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

Basic industry-specific services (such as account management) do not contribute to greenhouse gas emissions in any significant way. BLKB's on-balance-sheet own investments, in the double-digit million range, are also immaterial. As such, neither of these areas is the focus of the current efforts.

Rather, the bank prioritises climate action in areas where the effective impact is greatest. The impact depends on the interplay between feasibility, the banks' ability to shape events and the achievable emission reduction. The services that play a pivotal role in emission reductions include mortgage and business lending, as well as asset management. As BLKB's asset management is not covered by NZBA membership, this area will only be outlined broadly.

The time frame for intermediate targets is defined in line with NZBA guidelines. In the mortgage segment, our aim is to reduce emission intensity by 40–60% by 2030. Our other interim targets for on-balance-sheet business relate to business loans and other banking operations. BLKB will publish both interim targets in October 2024.

The transition plan (our pathway to net zero) is based on the Glasgow Financial Alliance for Net Zero (GFANZ) guidelines.

Implementation strategy

In order to achieve net zero by 2050, BLKB is increasingly aligning its products, services, decision-making processes and framework conditions with this target.

Products and services

In the case of residential real estate, our products and advisory services were geared towards building energy efficiency from an early stage. As financing partner, BLKB founded Sun2050 in 2020 with two other organisations in order to promote sustainable energy production with photovoltaic systems by simplifying cost estimates and placing contract professionals in the canton of Basel-Landschaft. To further promote the energy efficiency of properties, the service was expanded in 2022 to include replacement heating systems and e-mobility, and renamed Home2050. BLKB thus supports its clients in an area where, according to various studies, feeling overwhelmed is a major obstacle to change. In addition, an energy mortgage was launched which offers private clients specific terms for energy-efficient improvements to properties. Meanwhile, many similar products have already emerged in the market. The product is currently undergoing further development and will be overhauled by the end of the year.

BLKB has also implemented the directive of the Swiss Bankers Association (SBA), which entered into force on

1 January 2024, regarding energy-efficient renovation for new contracts and increase in existing mortgages. This advisory service will be expanded in the next two to three years, and will be extended to all relevant business cases and property types.

In the case of owner-occupied commercial real estate, we developed a product in cooperation with the association Energie Zukunft Schweiz. Since 2023, BLKB has been offering its SME clients a product package to improve the energy efficiency of owner-occupied commercial properties. This product will be reviewed until the end of the year and optimised if necessary. In addition, BLKB will focus its product development activities over the next two years on its offerings surrounding the sustainability of investment and commercial real estate. In addition to providing attractive terms, the focus is on financing products in the renewable-energy sector (wind, photovoltaics, electricity, heat storage, etc.). As pertains to business loans, BLKB will review and implement various product developments over the next three years. The focus is on sustainability-related loans, such as sustainability-linked loans. The development of green financing projects – e.g. photovoltaic systems – will be examined with various partners between 2025 and 2028.

In asset management, BLKB has adopted a broad ESG approach (i.e. the assessment of sector-specific environmental, social and corporate governance criteria, such as CO₂ emissions and working conditions) that applies to all products and services. In addition, the BLKB "Climate Basket" allows climate-savvy clients to invest in companies that do their part towards fighting climate change by reducing CO₂ emissions through their products and services.

Through its various services, BLKB offers its clients transparency about the climate impact of their portfolio across all its investments. These include financial reports for all clients with custody accounts as well as more detailed breakdowns for interested clients. By applying the Swiss Climate Scores from 2024, BLKB is also creating best-practice transparency in the climate-compatible orientation of financial investments. In doing so, it promotes investment decisions that contribute to the achievement of global climate goals.

As a member of Energy Agency of the Swiss Private Sector (EnAW), BLKB has been setting reduction targets for emissions relating to its business activities since 2000. BLKB has gone fully electric in terms of vehicles as of 2024: At the end of 2023, the bank replaced its last fossil-fuel-powered passenger cars with electric vehicles. In addition, BLKB already gets 100% of its electricity from renewable sources. Electricity comes from both hydropower and from the banks' own photovoltaic system on the roof of our Liestal headquarters.

Since 2021, BLKB has pursued its goal of capturing as much CO₂ as its operations generate on farms in the Basel region through the formation of humus. This is why the bank is supporting the “Climate protection through humus formation” project of the Ebenrain Centre for Agriculture, Nature and Food (Ebenrain-Zentrums für Landwirtschaft, Natur und Ernährung in Sissach). Interim measurements in 2024 will reveal the progress and success of this method. Through climate protection and biodiversity projects run by the Frenkentaler Forestry Association (Zweckverband Forstbetriebe Frenkentaler) and the Swiss Forest Climate Protection Association (Wald-Klimaschutz Schweiz), BLKB is currently offsetting unavoidable CO₂ emissions released at events as part of BLKB’s sponsorship commitments.

Decision-making processes

In 2020, BLKB defined risk sectors⁴ for corporate loans. Financing applications for these sectors must be approved by the Credit Committee. At the end of 2021, exclusion criteria were also introduced for extraction of fossil fuels, manufacture of weapons and military combat vehicles and mining. Financing applications from these sectors may not be approved at any level. These criteria already set parameters for lending to companies.

Probably until the end of 2025, the decision-making processes for residential and commercial mortgages and corporate loans will integrate various climate parameters into the existing credit risk process. This will enable BLKB to monitor and actively control its CO₂ reduction targets in a standardised and – where feasible – automated way. The aim is to have rudimentary control by the end of 2024. The process also enables BLKB to identify and control any climate risks across the entire loan portfolio. A range of data projects have been launched for the purposes of identifying, measuring, monitoring and controlling climate risks and CO₂ reduction targets. This will ensure the necessary metrics are available for the transition to net zero and the mentioned adjustment of the credit risk process.

BLKB has been applying a systematic methodology in asset management since 2014, taking into account internationally recognised ESG investment approaches, to identify companies that are more environmentally and socially responsible and have established sound corporate governance factors, making them more competitive in the long term. BLKB has been applying exclusion criteria⁵ since 2019 in order to systematically reduce risks from an ESG perspective⁶.

⁴ Risk sectors for corporate loans include operation of fossil fuel power stations, aircraft manufacture/airlines, genetically modified organisms, gambling, tobacco, nuclear energy and production of adult entertainment.

⁵ Exclusion criteria include the extraction of fossil fuels, fossil fuel power stations, aviation, tobacco, nuclear energy, weapons, genetically modified seeds and gambling.

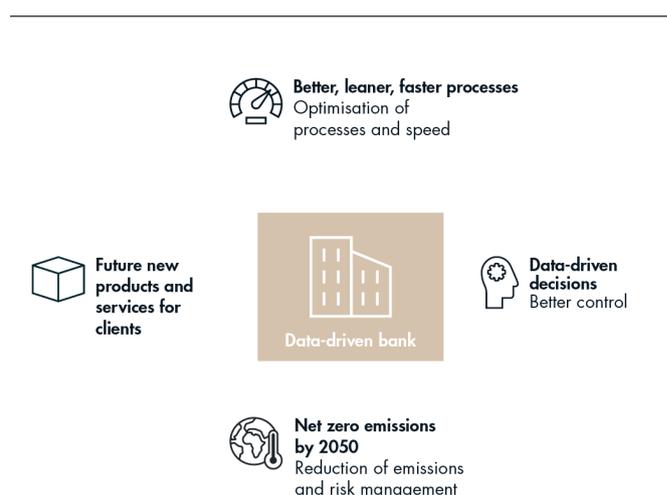


Figure 2: Connections of a data-driven bank

In view of the enhanced regulatory requirements, Asset Management is analysing its options for integrating climate risks into active asset management and funds, with the aim of implementing this by the end of 2025.

All BLKB service providers and suppliers have signed a sustainability agreement that commits them to continuously minimising their environmental impact and doing more to protect the environment within their own organisation, in the provision of services, and in production and product development. BLKB expects its partners to comply with the 2015 Paris Agreement and, accordingly, steadily reduce their direct and indirect CO₂ emissions (Scopes 1–3) and report them appropriately.

Framework

The framework for the residential real estate implementation strategy is largely set by the newly established Specialist Consultancy Private Real Estate department (Spezialberatungen Private Immobilien: SPI). SPI has the necessary resources and expertise to provide sustainability advice for more complex property renovations.

The new department works closely with other stakeholders and forges links between the various contact points throughout the advisory process, to ensure the best possible service for clients (architect, energy technology, specifications, funding, taxes, etc.). It creates an internal and external network of experts and efficiently drives the decarbonisation of the mortgage portfolio.

Similarly to SPI, the newly launched subsidiary BLKB Fund Management AG will determine the implementation strategy for commercial real estate (business properties) with its Real

⁶ The scope of the exclusion criteria includes producers in the relevant business sectors and is applied to the individual securities used in BLKB investment products. A revenue share threshold of 0% applies to these business activities, except for gambling and sporting weapons (up to 5% permitted).

Estate Advisory (REA) service. REA advises owners of investment and commercial real estate on the sustainability of their properties, and therefore also contributes to the decarbonisation of the mortgage portfolio.

Engagement strategy

As a bank with strong regional ties, BLKB is part of a network comprising client groups, industry and other market stakeholders, and partners from governmental and administrative bodies and associations. The bank's net zero target depends to a large extent on the actions of the various stakeholders and, above all, on the successful collaboration of all those involved. Communication and a coordinated approach to reducing emissions are therefore extremely important for BLKB.

Client dialogue

In order to accelerate the achievement of the reduction targets for mortgages on owner-occupied and commercial real estate, BLKB is approaching its clients with various awareness-raising and support measures. As part of a heating replacement competition for owner-occupied properties, BLKB awarded three prizes of CHF 20,000 each in spring 2024 to fund the switch to non-fossil-fuel heating systems. A service offering thermal imaging for owner-occupied residential real estate will launch in autumn 2024. The results will show where the greatest heat losses occur so that clients can make the best possible decisions when making energy efficiency improvements. Further measures – including for commercial real estate – are currently in the planning stages. BLKB already offers sustainability advice to corporate clients as part of strategic discussions to support them in their transition. Emissions in the corporate loan portfolio are concentrated among a small number of companies; most SMEs have very low emissions. Client dialogue about decarbonisation will therefore initially focus on companies with high emissions. The aim is to verify previously estimated emission values, build up knowledge of any transition plans the companies may have and support clients with this process.

BLKB offers all clients in the investment sector basic ESG reporting (as part of the financial report) and detailed reporting for clients who request this. This information serves both as a product and as our commitment. In 2024, BLKB plans to add the Swiss Climate Scores to its fund reporting.

BLKB obtains most of its IT services from external service providers. It therefore aims to gain a better understanding of the greenhouse gas emissions produced by different services by the end of the year. The bank will use these

findings as a basis for steadily reducing emissions through targeted actions.

Discussions with other companies

All cantonal banks are facing similar challenges in relation to the decarbonisation of their mortgage portfolios. Data availability and quality are among the key problems. The more they know about the properties for which mortgages have been and are being granted, the more efficiently banks can steer a path towards net zero. To arrive at a common approach, BLKB has launched a strategic project with 18 other cantonal banks via the jointly incorporated subsidiary NNH Holding. One of the aims of NNH Holding is to establish a "housing" digital ecosystem. This is based on a large data pool that collects both paid and free data and makes this available to the companies participating in NNH Holding together with property-related services. NNH Holding holds two strategic stakes (newhome AG and myky AG) in the area of real estate services.

Corporate clients also face various challenges with regard to data management, particularly in the case of SME data. BLKB plays an active role in a group made up of various industrial partners, working to simplify data collection and transmission and define corresponding standards. The bank was also a founding partner of the regional platform for the Swiss Triple Impact (STI) program, which supports Swiss organisations to develop a clear sustainability strategy in three steps. In 2025, BLKB will review its engagement and, if necessary, supplement it with further support services.

With regard to funds, BLKB uses its rights and obligations as a shareholder and co-owner of companies to bring about positive change. It has been doing this since the start of the year by systematically exercising voting rights and entering into constructive dialogue with companies (engagement). Ethos is responsible for both these activities, with BLKB playing an active role. BLKB has been a member of Climate Action 100+ since autumn 2023, with the aim of working with other investors to encourage the world's largest emitters of greenhouse gases to make greater efforts in the area of climate action.

In addition to its involvement in this initiative and the NZBA, BLKB also plays an active role in other initiatives, associations and foundations. As a partner of the Swiss Climate Foundation, an initiative "by business for business and the climate", it supports innovative projects run by small and medium-sized businesses. BLKB is a member of Swiss Sustainable Finance, which aims to make Switzerland a sustainable financial centre, and has been represented on the board since the summer of 2020. It campaigns for Switzerland to be a climate-neutral country and for climate action through the swisscleantech business association and its

CEO4Climate initiative. As a long-standing member of öbu (the Swiss Business Council for Sustainable Development) since 1991, BLKB is committed to meeting its social and environmental responsibilities and doing business sustainably. The bank supports the forestry and timber industry as a member of LIGNUM Region Basel.

Politics and lobbying

Since BLKB is owned by the Canton of Basel-Landschaft, discussion and alignment of climate action measures are an essential part of its operations. During the past year, the bank has held various discussions at operational level with the Office for Environmental Protection and Energy (Amt für Umweltschutz und Energie: AUE), those responsible for the Basel-Landschaft climate strategy and the cantonal buildings insurer. BLKB also played an active role in consulting on the canton's climate strategy and drawing up the climate charter for the Intergovernmental Conference of Northwestern Switzerland (Nordwestschweizer Regierungskonferenz: NWRK). It is actively raising the issue with the canton at a strategic level.

BLKB is working in a strategic partnership with the canton to implement the cantonal energy package ("Baselbieter Energiepaket"). As an innovative financial services provider, the bank enables the financing of energy-efficient construction projects with tailored solutions. The cantonal energy package supports the transformation of the canton's building stock towards climate neutrality by making financial contributions to consultancy products, renovation of building envelopes and production systems for heating using renewable energy.

BLKB also furthers its climate action agenda in the political sphere through the Swiss Bankers Association (SBA) and the Association of Swiss Cantonal Banks (ASCB). As a member of the ASCB's sustainability working group, the bank contributes its expertise at operational level to the association. In addition to these official collaborations, BLKB has been involved in fruitful informal discussions with a number of cantonal banks since 2023, to discuss the implementation of the NZBA and regulatory requirements relating to the climate and nature.

Metrics and targets

In order to move towards net zero, BLKB defined initial and interim targets, along with corresponding metrics to measure progress, in 2023. This complete set of metrics and targets will be expanded over the next few years and refined as more data becomes available.

Metrics

BLKB has chosen absolute emissions in tCO₂ and emission intensity in the form of kgCO₂/m² as metrics for mortgages on owner-occupied and commercial real estate. The absolute metric is used to monitor overall progress towards net zero. The relative metric – based on emission intensity – is used for monitoring at the level of individual properties as the mortgage portfolio grows. For corporate loans, BLKB uses the metric of absolute emissions in tCO₂, as the relative metrics recommended by the NZBA are unsuitable for an SME bank. The bank is therefore currently investigating a suitable relative metric to monitor the reduction path of the overall portfolio of corporate loans.

The high-emitting sectors defined by the NZBA are shown in Table 1. These should be addressed as a priority in line with the NZBA decarbonisation commitment. It is to be noted that BLKB has hardly any credit obligations in these sectors. This is attributable to the industry landscape in Northwestern Switzerland, long-standing lending practices and the mentioned risk and exclusion criteria. The real estate sector is a central pillar of business at all cantonal banks and has been very carbon-intensive to date, due to its high fossil-fuel heating requirements.

BLKB also uses the metric of absolute emissions in tCO₂ for its investments. On-balance-sheet own investments, which the NZBA stipulates should be included in interim targets, are immaterial at BLKB due to their small size. As a result, they have not been prioritised and are being developed alongside asset management metrics.

Detailed view: Breakdown by NZBA high-emitting sectors – high level Scope 1+2, 2023

Sector	Financing volume (CHF million)	Weight in portfolio	Financed emissions (Scope 1+2, t CO ₂ e)	Share of financed emissions	Emission intensity (tCO ₂ e/CHF million sales)	Footprint (tCO ₂ e/CHF million financing volume)	PCAF data quality score
Real estate	22,065	99.632%	130,146	65.6%	n/a	5.9	4.1
Oil and gas	9	0.040%	39,235	19.8%	2147.5	4,381.1	4.0
Transport	64	0.291%	24,310	12.2%	536.9	377.7	4.4
Iron and steel	5	0.022%	1,934	1.0%	355.8	402.3	4.0
Power generation	3	0.012%	1,453	0.7%	3,607.5	541.0	4.0
Agriculture	1	0.002%	1,297	0.7%		2,588.7	5.0
Cement	0	0.001%	114	0.1%	512.3	414.9	4.5
Aluminium	-	0%	-	0.0%			
Coal	-	0%	-	0.0%			
Total	22,147	100.0%	198,490	100.0%			

Table: Loan portfolio shares in the high-emitting sectors defined by the NZBA

Objectives

In the case of clients with mortgages of owner-occupied real estate, the bank intends to approach at least 1,000 clients on the topic of energy efficiency, in addition to providing sustainability advice based on the regulations (SBA), by the end of 2024. The evaluation of suitable relative metrics for corporate loans should be completed by the end of summer 2024. The results relating to the interim targets for 2030 will be published in October 2024.

Engagement discussions are to be held with the largest partner companies in order to ascertain the effective greenhouse gas emissions of the IT services used by external service providers. Effective decarbonisation measures for the years 2025 to 2030 and beyond are specified throughout the year, and will be published in the Sustainability Report in the first quarter of 2025.

In 2025 BLKB will also complete the evaluation of a suitable relative metric for the reduction path for the overall asset management portfolio and publish the results.

The bank aims to reduce the emission intensity in the case of mortgages for owner-occupied and commercial real estate by 40–60% kgCO₂/m² by the year 2030.

BLKB aims to achieve net zero emissions in its banking operations and the banking business recognised in the balance sheet by 2050 at the latest.

Governance

To ensure the implementation of the planned measures and achievement of the objectives, the responsibilities and incentives for various existing roles need to be adapted. In addition, the operational processes must be clearly defined, documented and bindingly anchored in the organisation. One important task is training and inspiring the employees. Climate science is no longer a fledgling science and the role of banks in decarbonisation is in general also clearly defined. However, the details of implementation – be it the measurements and metrics, the assessment of measures or development of the regulations – are subject to constant change. This means that individuals and teams who design, execute and oversee the plans must constantly adapt their skills and knowledge to the changing circumstances. This applies to almost every role within the bank.

Roles, responsibilities and remuneration

BLKB's Organisational Guidelines and Regulations (OGR) set out the powers and duties of the Board of Directors and the Executive Board. As part of the implementation of the Ordinance on Climate Disclosures, it is explicitly supplemented by the responsibilities of these two bodies with regard to climate risks in governance, strategy, risk management as well as the key figures and targets of BLKB. The variable remuneration of the Executive Board is based on a financial and a non-financial (ESG) set of targets. The contribution to achieving the BLKB climate targets has been part of the ESG set of targets since 2024.

For the other employees of the Bank, the responsibilities, targets and incentives within the business areas are specified in coordination with the respective member of the Executive Board.

Ensuring the plan's implementation

Currently one of the biggest procedural changes is the integration of climate parameters within the credit risk process. Part of this measure is documentation and anchoring within the relevant directives.

Education and culture

Last year, all employees were made aware of the topic of greenwashing as part of an interactive video training course. In collaboration with Lucerne University of Applied Sciences and Arts, those holding particularly exposed positions with management and specialist leadership responsibilities were given special in-depth training on the various aspects of greenwashing.

Transiln 2024, the first BLKB employee in the Infrastructure department will start further training to become an expert on the cantonal building energy certificate (GEAK). In this way BLKB is securing an internal knowledge base in the field of energy analysis and consulting for the energy-efficient refurbishment of buildings in order to competently evaluate future partnerships.

Various awareness-raising measures are planned for employees and managers in future. For example, the topic of sustainability in management will be included in the 2024 Leadership Dialogue. What is more, as a part of independent learning, all employees have access to a web-based study platform and are inspired by regular short course units on sustainability topics.

The present transition plan shows that BLKB has already taken many measures to reduce its emissions to net zero. At the same time it reveals where there are gaps and where further steps are needed. Specified tasks will already be completed in the coming months before the next sustainability report. The aim is to define a granular, effective reduction strategy by the end of the 2027 strategy period.

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