

GRI Report

# Financial year 2019



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JAHRE**



**Zürcher  
Kantonalbank**

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## 1 Introduction

This Report provides information on Zürcher Kantonalbank's sustainability engagement in financial year 2019 using the applicable Global Reporting Initiative (GRI) standards. It contains information on universal and topic-specific standards, as well as additional information for the financial services industry. All references in the report are posted on the internet at [www.zkb.ch](http://www.zkb.ch).

## 2 General disclosures

### 2.1 Organisational profile

#### GRI 102-1: Name of the organisation

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We are Zürcher Kantonalbank.

#### GRI 102-2: Activities, brands, products and services

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Zürcher Kantonalbank has successfully positioned itself as a universal bank with a regional base as well as a national and international network. In accordance with its public service mandate, the bank provides the people of Zurich and companies with financial services, helps the Canton of Zurich to fulfil its economic, social and environmental responsibilities, and observes the principles of sustainability in its business activities at home and abroad.

Our vision is "Close to you". "We support, advise and offer solutions. Always, everywhere. Throughout your life." Our clients benefit from a broad range of products and services. Our core business includes monetary transactions, the borrowing business, loans, the investment and retirement planning business, as well as the trading and capital market business.

#### GRI 102-3: Location of headquarters

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The head office is located at Bahnhofstrasse 9 in 8001 Zurich.

#### GRI 102-4: Location of operations

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The branch offices and ATMs are located in Switzerland.

#### GRI 102-5: Ownership and legal form

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Zürcher Kantonalbank is an independent public-law institution of the Canton of Zurich.

#### GRI 102-6: Markets served

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Zürcher Kantonalbank is a leader in its home market, the Greater Zurich Area. It also offers selected services throughout Switzerland and abroad. Its client segments include private and commercial clients, private banking, corporate clients as well as financial institutions and multinationals from a wide range of industries.

#### GRI 102-7: Scale of the organisation

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Zürcher Kantonalbank has total assets of CHF 167 billion and 4,918 employees (adjusted for part-time working), making it the largest cantonal bank in Switzerland and one of the largest Swiss banks. It operates the densest network of branch offices and ATMs in the Canton of Zurich, including 5 office buildings, 64 branch offices and 340 ATMs. Further key figures on the parent company can be found in the [annual report](#) starting from page 162.

#### GRI 102-8: Information on employees and other workers

Zürcher Kantonalbank employs 5,950 people in 4,918 full-time equivalent positions. With 410 apprenticeships, the bank is one of the largest providers of vocational training in the Canton of Zurich. The rate of men working part-time is

14 percent, that of women 51 percent. The part-time rate is 28 percent overall. Almost all employees work in the Greater Zurich Area.

The information on employees is collected by the Personnel department. The figures have not fluctuated significantly compared with previous years, and non-employees do not carry out a material proportion of the bank's business activities.

#### GRI 102-9: Supply chain

Zürcher Kantonalbank's purchasing volume totalling around CHF 389 million is distributed as follows: 46 percent information technology, 36 percent services, marketing products and overall bank assets, and 19 percent construction and real estate. The bank promotes regional value creation when purchasing goods and services. For example, suppliers in the Canton of Zurich account for over 50 percent of purchasing volume for 2019. The bank also attaches importance to a sustainable supply chain. Products should be as environmentally and socially friendly as possible in terms of production, use and disposal.

#### GRI 102-10: Significant changes to the organisation and its supply chain

Three counter locations were closed in the year under review. They were located in Embrach, Erlenbach and Marthalen. This is Zürcher Kantonalbank's response to the needs of its clientele, who increasingly desire services that are independent of time and place and who visit the counters less and less frequently. All affected staff received internal job offers within the bank.

#### GRI 102-11: Precautionary principle or approach

Information on the application of the precautionary principle in accordance with the Rio Declaration on Environment and Development issued by the United Nations can be found in our [sustainability policy](#).

#### GRI 102-12: External initiatives

Zürcher Kantonalbank supports the following external initiatives: Climate Bond Initiative, Montréal Carbon Pledge, UNEP Finance Initiative and UN Principles for Responsible Investment (UN PRI). Further information about our commitments can be found at [www.zkb.ch/nachhaltigkeit](http://www.zkb.ch/nachhaltigkeit).

#### GRI 102-13: Membership of associations

Zürcher Kantonalbank is a member of the following associations and interest groups: Carbon Disclosure Project, Energie-Modell Zürich, European Sustainable Investment Forum, Forum Nachhaltige Geldanlagen, Swisscleantech, Swiss Sustainable Finance and öbu. Further corresponding information can be found at [www.zkb.ch/nachhaltigkeit](http://www.zkb.ch/nachhaltigkeit).

## **2.2 Strategy**

#### GRI 102-14: Statement from senior decision-maker

We are aware of the pivotal role played by the financial sector in efforts to achieve sustainable development worldwide. Sustainability is part of our public service mandate and its fulfilment is one of Zürcher Kantonalbank's strategic goals. Our sustainability policy is guided by the United Nations' 17 sustainable development goals. Further information can be found in the [annual report](#) starting from page 6.





### [GRI 102-15: Key impacts, risks and opportunities](#)

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Information on significant economic, environmental or social impacts as well as risks and opportunities can be found in the [annual report](#) starting from page 36.

## **2.3 Ethics and integrity**

### [GRI 102-16: Values, principles, standards and norms of behaviour](#)

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We are guided by our values: inspiring (motivate, think ahead, courage), responsible (be reliable, create value, be present) and passionate (be involved, enthuse, persevere). Our [code of conduct](#) sets out the most important rules of behaviour that all employees must observe.

### [GRI 102-17: Mechanisms for advice and concerns about ethics](#)

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The integrity and reputation of Zürcher Kantonalbank are among the most important corporate assets. The bank therefore relies on receiving reports of suspected misconduct within the organisation from employees or third parties – anonymously, if desired. Further information is provided in the [whistleblowing](#) section of our website.

## **2.4 Governance**

### [GRI 102-18: Governance structure](#)

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The Cantonal Parliament of Zurich, which is responsible for the ultimate supervision of Zürcher Kantonalbank, has charged the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU) with ultimate supervision. The Board of Directors is responsible for the overall management of the bank and the supervision of its management. It includes the Committee of the Board, which supervises the management directly. The Board of Directors Committees (Audit Committee, Risk Committee, Compensation and Personnel Committee, and the IT Committee) carry out preliminary consultations to support the Board of Directors in its decision-making. The Audit department and the external auditors are responsible for the internal and external audits, respectively, for the bank. The Executive Board, which is headed by the Chief Executive Officer (CEO), is responsible for the management of Zürcher Kantonalbank.

The Board of Directors, the Committee of the Board and the Executive Board ensure the fulfilment of the public service mandate, which encompasses economic, environmental and social dimensions. The Committee of the Board has a special steering and monitoring function. The Public Service Mandate Steering Committee, which comprises representatives from all business units, advises and supports the management bodies in all matters relating to the public service mandate. This assistance sometimes relates to the preparation of the reporting on the fulfilment of the public service mandate, which the Board of Directors submits to the AWU. The committee is chaired by the officer responsible for the public service mandate. It also manages the Public Service Mandate specialist unit, which coordinates the planning, implementation and reporting on the public service mandate as well as all related activities. Various specialist areas within the individual business units also assist with the fulfilment of the public service mandate.

### [GRI 102-19: Delegating authority](#)

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Information on the delegation of authority can be found under GRI 102-18.

### [GRI 102-20: Executive-level responsibility for economic, environmental and social topics](#)

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Corresponding information can be found under GRI 102-18.

### [GRI 102-21: Consulting stakeholders on economic, environmental and social topics](#)

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Zürcher Kantonalbank and its bank management conduct an open and transparent dialogue with its stakeholder groups. This dialogue takes place in systematic exchanges or through ad hoc enquiries.

#### [GRI 102-22: Composition of the highest governance body and its committees](#)

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The Board of Directors consists of 13 members. This number includes the three members of the Committee of the Board. Detailed information on the Board of Directors can be found in the [annual report](#) starting from page 63.

#### [GRI 102-23: Chair of the highest governance body](#)

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The Chairman and all members of the Board of Directors are not members of the Executive Board.

#### [GRI 102-24: Nominating and selecting the highest governance body](#)

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The Cantonal Parliament of Zurich elects the members of the Board of Directors and the Committee of the Board for a four-year term of office. When doing so, it considers their personal characteristics such as assertiveness, credibility and integrity, and their suitability with regard to banking expertise, as well as regulatory requirements and proportional political representation. The professional criteria, which include commercial, environmental and social aspects, are regularly reviewed by external specialists for each individual member of the Board of Directors. Further information on the nomination and selection process can be found in the [annual report](#) starting from page 63.

#### [GRI 102-25: Conflicts of interest](#)

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The bank's Committee of the Board decides any conflicts of interest that are escalated. Further information on any conflicts of interest can be found in the [annual report](#) starting from page 74.

#### [GRI 102-26: Role of highest governance body in setting purpose, values and strategies](#)

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The Board of Directors defines the principles of corporate policy, the mission statement, the business strategy and the organisational structure. It also collaborates with the Committee of the Board and the Executive Board to ensure that the bank's public service mandate is fulfilled. The Executive Board is responsible for the implementation of the requirements and objectives in the operational business. Further corresponding information can be found in the [annual report](#) starting from page 63.

#### [GRI 102-27: Collective knowledge of highest governance body](#)

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The Board of Directors regularly attends further training on relevant economic, environmental and social topics.

#### [GRI 102-28: Evaluating the highest governance body's performance](#)

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The Board of Directors reports annually to the AWU on the fulfilment of the public service mandate. The AWU may request further information from the Board of Directors on the details of the reporting.

#### [GRI 102-29: Identifying and managing economic, environmental and social impacts](#)

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The Board of Directors and, in particular, the Committee of the Board are responsible for the bank's handling of the public service mandate. In this respect they regularly identify and address the economic, environmental and social impacts. When doing so, they are in dialogue with the stakeholder groups.

#### [GRI 102-30: Effectiveness of risk management processes](#)

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The Board of Directors follows a structured annual cycle and analyses Zürcher Kantonalbank's strengths and weaknesses, opportunities and risks, as well as the associated strategic risks. It approves the risk policy and the framework concept for group-wide risk management. In addition, the Executive Board regularly provides it with updates regarding all relevant aspects of risk management. The Risk Committee of the Board of Directors assists in the supervision of the bank's risk management.

#### [GRI 102-31: Review of economic, environmental and social topics](#)

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The bank reviews economic, environmental and social topics at least annually.

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#### [GRI 102-32: Highest governance body's role in sustainability reporting](#)

The Board of Directors reviews and approves the sustainability reporting. It also ensures that the key sustainability issues are addressed.

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#### [GRI 102-33: Communicating critical concerns](#)

Any relevant critical concerns are communicated to the Board of Directors upon receipt, either directly or indirectly, through the appropriate offices.

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#### [GRI 102-34: Nature and total number of critical concerns](#)

The bank does not disclose the nature and total number of critical concerns. Further information on critical concerns can be found under GRI 102-17.

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#### [GRI 102-35: Remuneration policies](#)

Zürcher Kantonalbank's compensation policy is aligned with the bank's business strategy, objectives and values. It takes into account the long-term financial interests of the bank and supports solid and effective risk management. Additional corresponding information can be found in the [annual report](#) starting from page 83.

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#### [GRI 102-36: Process for determining remuneration](#)

The Board of Directors issues regulations governing the compensation of the members of the Board of Directors (subject to approval by the Cantonal Parliament). The Board of Directors also issues the Personnel and Compensation Regulations for Zürcher Kantonalbank. The Compensation and Personnel Committee assists the Board of Directors in matters concerning the compensation policy. Further information on the procedure for determining remuneration can be found in the [annual report](#) starting from page 83.

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#### [GRI 102-37: Stakeholders' involvement in remuneration](#)

The Board of Directors must reconcile the interests of the Canton of Zurich with those of Zürcher Kantonalbank and its employees. The Cantonal Parliament of Zurich is responsible for approving the regulations governing the compensation of the members of the Board of Directors.

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#### [GRI 102-38: Annual total compensation ratio](#)

The bank does not disclose the annual total compensation ratio.

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#### [GRI 102-39: Percentage increase in annual total compensation ratio](#)

The bank does not publish the percentage increase in the annual total compensation ratio.

## **2.5 Stakeholder engagement**

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#### [GRI 102-40: List of stakeholder groups](#)

Our stakeholder groups are the bank's clients, employees, owner (Canton of Zurich), suppliers and partners, as well as the general public.

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#### [GRI 102-41: Collective bargaining agreements](#)

The agreements on the conditions of employment of bank employees (VAB) and on the recording of working hours (VAZ) apply to all employees.



#### [GRI 102-42: Identifying and selecting stakeholders](#)

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The Executive Board identifies and selects stakeholder groups when it periodically validates the [sustainability policy](#).

#### [GRI 102-43: Approach to stakeholder engagement](#)

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We maintain a constant, open and transparent dialogue with our stakeholder groups. Examples of this dialogue include the following:

- Clients: We create closeness to our clientèle every day through personal advice and support. We also conduct a client satisfaction survey every two years.
- Employees: We communicate with our employees on a regular basis and survey them on employee satisfaction every two years. We are also in regular contact with the employee representatives.
- Owner (Canton of Zurich): We maintain personal contact with the Cantonal Parliament of Zurich – in particular with the AWU and its senior management – several times a year.
- Suppliers and partners: We hold regular discussions with suppliers and partners.
- General public: We are in constant dialogue with representatives of business, the environment and society, as well as media and culture.

The bank did not take any explicit inclusion measures as part of the reporting process.

#### [GRI 102-44: Key topics and concerns raised](#)

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The key sustainability topics for our stakeholder groups are described in Section 3.

## **2.6 Reporting practice**

#### [GRI 102-45: Entities included in the consolidated financial statements](#)

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Summary information on the corporate structure can be found in the [annual report](#) starting from page 2. This Report refers to the parent company of Zürcher Kantonalbank and excludes Swisscanto Holding Ltd. and its subsidiaries, Zürcher Kantonalbank Finance (Guernsey) Ltd., Zürcher Kantonalbank Österreich AG, ZüriBahn AG and the representative offices.

#### [GRI 102-46: Defining report content and topic boundaries](#)

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We evaluated sustainability-related topics in terms of their relevance for our stakeholder groups and the materiality of their impact on sustainable development. The first evaluation was conducted via interviews with representatives of the stakeholder groups. The second evaluation was performed in workshops. Both evaluations are mapped in the materiality matrix, which forms the basis for determining and delimiting the material topics.

#### [GRI 102-47: List of material topics](#)

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The material sustainability issues are described in Section 3.

#### [GRI 102-48: Restatements of information](#)

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The bank did not restate any information compared to the previous GRI report.

#### [GRI 102-49: Changes in reporting](#)

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The bank did not make any changes in the material topics compared to the previous reporting.

#### [GRI 102-50: Reporting period](#)

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The Report relates to the financial year 2019.

#### [GRI 102-51: Date of most recent report](#)

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The last GRI report was published in April 2018.

#### [GRI 102-52: Reporting cycle](#)

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The GRI report has been published on a biennial cycle since 2017.

#### [GRI 102-53: Contact point for questions regarding the report](#)

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Please address any questions about this Report to: Public Service Mandate specialist unit, 044 292 61 04, [cr@zkb.ch](mailto:cr@zkb.ch).

#### [GRI 102-54: Claims of reporting in accordance with the GRI Standards](#)

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This Report has been prepared in accordance with GRI Standards ("Comprehensive" option).

#### [GRI 102-55: GRI content index](#)

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This Report maps to the GRI content index.

#### [GRI 102-56: External assurance](#)

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This Report has not been audited by an external auditor.

### **3 Material sustainability topics**

#### **3.1 Responsible lending**

##### 3.1.1 Management approach

#### [GRI 103-1: Explanation of the material topic and its boundary](#)

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Responsible lending includes observing sustainability principles in the financing business. Responsible lending is materially important because it is part of our core business and can be directly linked to environmental and social impacts. We grant loans to private individuals as well as to companies and institutions. Most of our lending is in the mortgage business. For instance, we finance one out of every two homes in the Canton of Zurich.

#### [GRI 103-2: The management approach and its components](#)

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To ensure the sustainable development of our financing business, we pursue a risk policy geared towards continuity and consider the evaluation of environmental and social risks to be an important part of the credit assessment process. Our credit policy and [sustainability policy](#) set out guidelines for responsible lending. In addition, we promote sustainability in the financing business through selected products and services. We grant ZKB environmental loans, for example, which contain an interest rate reduction for environmentally friendly construction and renovation.

#### [GRI 103-3: Evaluation of the management approach](#)

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The Board of Directors is responsible for assuring a suitable risk and control environment and arranges for an effective internal control system (ICS). The Board of Directors Committees and the Audit department support it in assessing the effectiveness of the risk management and the ICS. Further information on the evaluation of the management approach can be found in Section 2.4 and in the [annual report](#) starting from page 134.

##### 3.1.2 Topic-specific disclosures

#### Product portfolio

#### [G4 \(formerly FS1\): Guidelines with specific environmental and social components in the business areas](#)

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Our credit policy and [sustainability policy](#) define economic, environmental and social requirements for the business areas. The credit policy is not publicly available due to competition and business policy reasons.

#### [G4 \(formerly FS2\): Process for evaluating and reviewing environmental and social risks in the business areas](#)

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Our credit manual regulates the process for evaluating and reviewing some environmental and social risks (not publicly available due to competition and business policy reasons). For example, environmental credit risks are addressed using a more in-depth credit assessment procedure depending on the situation. In addition, the bank takes into account environmental, social and governance (ESG) criteria when assessing creditworthiness and individual transactions.

#### [G4 \(formerly FS3\): Processes for monitoring client implementation of and compliance with environmental and social requirements specified in contracts or transaction documents](#)

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The bank's risk managers are responsible for ongoing and active risk management as well as for permanent compliance with requirements. If a violation occurs, Zürcher Kantonalbank will endeavour to find a constructive solution together with its clients.

#### [G4 \(formerly FS4\): Process\(es\) to increase employee competence in implementing the environmental and social policies, and procedures of the business areas](#)

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Employees are regularly trained and informed about relevant issues.

#### [G4 \(formerly FS5\): Interaction with clients/borrowers/business partners regarding environmental and social risks and opportunities](#)

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Corresponding details can be found under GRI 102-43.

#### [G4 \(FS6\): Percentage composition of the portfolio for the business areas by specific region, size and industry](#)

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Our focus is on the Greater Zurich Area. We are not planning either substantial expansion abroad or disproportionately risky business. We place a great deal of emphasis on our commitment to SMEs.

#### [G4 \(FS7\): Monetary value of products and services developed for a specific societal benefit, for each business area, broken down by purpose](#)

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First-time buyers of residential property benefit from ZKB starter mortgages, which have a reduced interest rate that is lower than the normal ZKB fixed-rate mortgage. All in all, ZKB starter mortgages worth more than CHF 5.9 billion were granted in 2019. In addition, Zürcher Kantonalbank finances 60 to 90 start-up companies every year. It provides venture capital to innovative start-ups at an early stage of their company life cycle and, with an annual investment volume of between CHF 10 and 15 million, is one of the most important venture capital providers in Switzerland.

#### [G4 \(FS8\): Monetary value of products and services developed for a specific environmental benefit, for each business area, broken down by purpose](#)

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Clients with a ZKB environmental loan benefit from an interest rate reduction of up to 0.8 percentage points on their selected ZKB fixed-rate mortgage for up to five years. In 2018, the total volume of disbursed ZKB environmental loans amounted to about CHF 1.2 billion.

#### [Audit](#)

#### [G4 \(formerly FS9\): Scope and frequency of audits to evaluate the implementation of environmental and social guidelines, as well as risk assessment procedures](#)

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Internal and external audits of the environmental management system are performed annually. Zürcher Kantonalbank's environmental management system, which is certified according to ISO 14001, takes into account

the implementation of some environmental and social requirements. The results and any actions resulting from the audits are reported to the Executive Board.

## 3.2 Sustainable investments and active ownership

### 3.2.1 Management approach

#### GRI 103-1: Explanation of the material topic and its boundary

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Sustainable investments and active ownership aim to promote sustainability in the investment business. The investment business is one of our core businesses, and our sustainable investment products make a direct contribution to addressing global sustainability challenges. We are a pioneer in the field of sustainable investments and can therefore build on many years of expertise.

#### GRI 103-2: The management approach and its components

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Zürcher Kantonalbank promotes sustainable development in its investment offering through its [sustainability policy](#). In addition, the bank is committed to the topic of sustainable investments and active ownership as follows:

- Swisscanto Invest by Zürcher Kantonalbank, the asset management unit of Zürcher Kantonalbank, rigorously integrates ESG criteria into the fundamental investment process of all actively managed equity and bond products. In addition, Swisscanto Invest includes ESG criteria when investing in direct real estate (in acquisition and portfolio valuations as well as project developments).
- Our sustainability indicator creates transparency for clients regarding sustainability in their investments. This metric can be seen on the Swisscanto Invest factsheets and also in the ZKB investment report. The indicator shows the degree of sustainability of over 1,200 investment funds (Swisscanto Invest and third-party funds). It is based on ESG analyses and divides the funds into seven sustainability classes, from A (highest level) to G (lowest level).
- Zürcher Kantonalbank's standardised investment solutions for private clients (ZKB Fund Portfolio, ZKB Investment Advice and ZKB Discretionary Mandate) can be specifically geared towards sustainability. The Swisscanto (LU) Portfolio Funds Responsible is used for the ZKB fund portfolio. Clients who choose the solutions ZKB Investment Advice or ZKB Discretionary Mandate (Classic/Premium/Expert) can select the Responsible standard instruction.
- If a client has investment assets of more than CHF 5 million and confirms that they would like a portfolio that deviates from the standard strategy, the client may conclude an advisory or asset management mandate tailored to their individual wishes (individual investment solutions for private clients under the ZKB Investment Advice and ZKB Discretionary Mandate Exclusive solutions). Clients can therefore select a mandate based on a sustainable approach. The sustainability criteria applied match those used for Swisscanto Invest's Sustainable Funds (see below).
- Swisscanto Invest offers two dedicated sustainability product lines – Responsible and Sustainable. The Responsible approach excludes companies that contribute to the greatest environmental and social risks globally or have the lowest ESG scores per sector and region. The Sustainable approach focuses exclusively on companies that not only earn an attractive return but also benefit society. Both product lines are available for both equities and bonds. All Responsible and Sustainable products bear the European transparency logo for sustainability funds (Eurosif). Further information can be found in the European Transparency Code for Responsible Funds and for Sustainable Funds.
- Swisscanto Invest's blacklist includes mainly manufacturers of cluster bombs/munitions, anti-personnel/land mines and nuclear weapons. It is applied to all active and passive investment products.
- Swisscanto Invest maintains a continuous dialogue with companies' management and actively exercises its voting rights as an institutional investor on the basis of Swiss and international corporate governance rules and the UN PRI. It publishes its voting behaviour transparently (see [www.swisscanto.ch/voting](http://www.swisscanto.ch/voting)).

- Swisscanto Invest has supported the Task Force on Climate-Related Financial Disclosures (TCFD) since 2018. Climate-related opportunities and risks are managed in the following manner.
  - At the process level: Climate aspects such as the carbon footprint are taken into account at Swisscanto Invest by integrating ESG criteria into the active management of equity and bond products. In 2017, Swisscanto Invest began implementing an energy and carbon controlling system for direct real estate investments. When completed, the system will comprise a database with the energy performance key figures of all 340 buildings (CHF 7.8 trillion in assets). These data will be used as a basis to systematically reduce total energy consumption over five years or until 2022 without any structural investment measures. On average, at least 10 percent or 3,750 tonnes of carbon are to be reduced across the entire portfolio. In addition, Swisscanto Invest’s real estate guidelines are based on the so-called SIA Energy Efficiency Path for energy assessment, development and management.
  - At the product level: The Sustainable and Responsible product lines apply exclusion criteria (graded according to the sustainability approach) that significantly reduce the carbon footprint by up to 70 percent. The carbon footprint of sustainable investment products is published annually in accordance with the Montréal Carbon Pledge. In the Sustainable product line, the sustainability impact analysis also focuses on products and services from companies that make a positive contribution to combating climate change (e.g. renewable energies, energy and resource efficiency, and sustainable mobility).
- The sustainable performance of investments is promoted through selected partnerships, such as with Swiss Sustainable Finance (SSF) or the Centre for Corporate Responsibility and Sustainability at the University of Zurich (CCRS), and through initiatives such as the UN PRI or the Montréal Carbon Pledge. In addition, the bank has memberships in professional associations’ active working groups that aim to address issues related to sustainable finance with a focus on the investment sector. These associations include the Swiss Bankers Association, the Swiss Funds & Asset Management Association (SFAMA) and Swiss Sustainable Finance (SSF).

#### GRI 103-3: Evaluation of the management approach

An external, independent Sustainability Advisory Board monitors the sustainable investment products, in particular the integration of ESG criteria and complex sustainable investment processes. It also supports Zürcher Kantonalbank in the conceptual development of sustainability approaches. Further information on the evaluation of the management approach can be found in Section 2.4 and in the [annual report](#) starting from page 134.

#### 3.2.2 Topic-specific disclosures

##### Product portfolio

##### G4 (formerly FS1): Policies with specific environmental and social components applied to business lines

Our [sustainability policy](#) defines economic, environmental and social requirements for the business areas.

##### G4 (formerly FS2): Procedures for assessing and screening environmental and social risks in business lines

Swisscanto Invest rigorously integrates ESG criteria into the fundamental investment process of all actively managed equity and bond products. In addition, Swisscanto Invest integrates ESG criteria when investing in direct real estate.

##### G4 (formerly FS4): Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines

Employees are regularly trained and informed about relevant issues.

##### G4 (formerly FS5): Interactions with clients/investees/business partners regarding environmental and social risks and opportunities

Corresponding information can be found under GRI 102-43 and GRI 103-2 in Section 3.2.1.

#### G4 (FS6): Percentage of the portfolio for business lines by specific region, size and by sector

The bank does not determine the percentage composition of the portfolio.

#### G4 (FS7): Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose

Our Responsible and Sustainable product lines enable responsible investment in society and the environment. We manage over CHF 16.2 billion in sustainable investment assets. Swisscanto Invest applies the ESG integration to CHF 81.9 billion and the blacklist to CHF 174.7 billion of assets under management. In addition, we launched a growth fund for institutional investors at the end of 2018, making CHF 174.6 million available to promising young companies.

#### G4 (FS8): Monetary value of products and services designed to deliver a specific environmental benefit, for each business line, broken down by purpose

Corresponding details can be found in the previous section on G4 (FS7).

#### Audit

#### G4 (formerly FS9): Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures

We conduct annual internal and external audits as part of our environmental management system in accordance with ISO 14001. When doing so, we take into account the implementation of some environmental and social requirements. The results and any actions resulting from the audits are reported to the Executive Board.

#### Active ownership approach

#### G4 (FS10): Percentage and number of companies in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues

We are in constant dialogue on ESG issues with around 700 companies represented in our investment portfolios and universes. Every year we hold bilateral meetings and telephone conferences with around 80 percent of these companies.



#### G4 (FS11): Percentage of assets subject to positive and negative environmental or social screening

Sustainable investments account for 4.9 percent of Zürcher Kantonalbank's total client assets. We integrate ESG criteria in 46.9 percent of all assets managed by Swisscanto Invest, and we apply Swisscanto Invest's "Weapons" blacklist in 100 percent of all assets under management.

#### G4 (formerly FS12): Voting policy(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting

Swisscanto Fondsleitung Ltd. and Swisscanto Asset Management International S.A. actively exercise the voting rights as fiduciary owners of the securities in their collective investment vehicles and private label funds. When doing so, they act in the best interest of their investors. The basis for this exercise of voting rights includes not only our values, but also Swiss and international corporate governance rules and the UN PRI. These guidelines introduce a comprehensive set of environmental, social and corporate governance standards into the decision-making process. The corresponding Swisscanto sustainability voting guidelines, which can be found at [www.swisscanto.ch/voting](http://www.swisscanto.ch/voting), were drawn up with an independent and renowned voting consultant and are regularly updated.

### **3.3 Ethical management**

#### 3.3.1 Management approach

##### GRI 103-1: Explanation of the material topic and its boundary

Ethical management forms the basis of trust for the cooperation between Zürcher Kantonalbank and its stakeholder groups. Zürcher Kantonalbank's ethical management practices contribute directly to the prevention of corruption, bribery, price rigging, money laundering, anti-competitive behaviour, tax evasion and fraud. They also promote sustainable ways of dealing with conflicts of interest, transparency regarding payments to authorities or other parties, as well as channels for and the protection of whistleblowing.

##### GRI 103-2: The management approach and its components

Zürcher Kantonalbank is committed to ethically correct management in accordance with statutory and regulatory provisions as well as recognised professional and ethical principles within the banking industry. In that way it makes an important contribution to sustainable development and protects the bank's reputation. Further information can be found in Section 2.3 and in the [annual report](#) starting from page 63.

##### GRI 103-3: Evaluation of the management approach

The Board of Directors is responsible for assuring a suitable risk and control environment and arranges for an effective ICS. The Board of Directors Committees and the Audit department support it in assessing the effectiveness of risk management and the ICS. Further details can be found in Section 2.4 and in the [annual report](#) starting from page 134.

#### 3.3.2 Topic-specific disclosures

##### Anti-corruption

##### GRI 205-1: Operations assessed for risks related to corruption

The bank assesses all 5 office buildings and 64 branch offices for corruption risks. The bank did not identify any corruption risks during the assessment.

##### GRI 205-2: Communication and training about anti-corruption policies and procedures

All 13 members of the Board of Directors and all 5,950 employees received training on anti-corruption policies and procedures.

#### [GRI 205-3: Confirmed incidents of corruption and actions taken](#)

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The bank did not identify any confirmed incidents of corruption in the year under review.

#### [Anti-competitive behaviour](#)

##### [GRI 206-1: Legal actions for anti-competitive behaviour, anti-trust and monopoly practices](#)

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The Swiss Federal Competition Commission (COMCO) opened an investigation in 2014 against Zürcher Kantonalbank and other banks in connection with possible collusion in foreign exchange trading. This investigation was closed at the beginning of 2019 with respect to Zürcher Kantonalbank without further consequences.

#### [Public policy](#)

##### [GRI 415-1: Political contributions](#)

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The bank did not receive any political contributions.

#### [Socio-economic compliance](#)

##### [GRI 419-1: Non-compliance with laws and regulations in the social and economic area](#)

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The bank did not identify any violations of laws or regulations in the year under review.

### **3.4 Access to financial services**

#### **3.4.1 Management approach**

##### [GRI 103-1: Explanation of the material topic and its boundary](#)

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One central aspect of our cantonal public service mandate is ensuring access to financial services for the population and the economy in general, as well as for specific client groups in particular. We provide the population and businesses with the financial services of a universal bank. These include payment transactions, saving, investing, financing, retirement planning, financial planning, taxes and estate planning. In particular, we address the concerns of SMEs, employees, agriculture and public-sector entities, and promote both home ownership and affordable housing. The guidelines for the fulfilment of the public service mandate set out the corresponding requirements.

We offer a wide range of products to satisfy the public service mandate. Zürcher Kantonalbank also performs services outside the scope of business provided by traditional universal banks. For example, we operate a pawnbroking agency and provide micro-financing that does not cover costs. We support SMEs and innovative start-ups at different levels – including funding as well as specific support measures. First-time buyers of residential property benefit from ZKB starter mortgages, which have a reduced interest rate that is lower than the normal ZKB fixed-rate mortgage. We also promote accessibility for people with disabilities or impairments.

##### [GRI 103-2: The management approach and its components](#)

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Information on the management approach and its components is provided in the preceding section on GRI 103-1.

##### [GRI 103-3: Evaluation of the management approach](#)

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Corresponding information can be found in sections 14 to 16 of the guidelines for the fulfilment of the public service mandate.

#### **3.4.2 Topic-specific disclosures**

##### [Local communities](#)

##### [GRI 413-1: Operations with local community engagement, impact assessments and development programmes](#)

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Zürcher Kantonalbank operates primarily in the Greater Zurich Area. In line with our brand promise of being “Close to you”, we are in direct and close contact with the people of Zurich. We participate in the regional enhancement of communal life in the Canton of Zurich through our involvement in over 150 projects related to the environment, society and the economy. Information about our commitments can be found at [www.zkb.ch/nachhaltigkeit](http://www.zkb.ch/nachhaltigkeit).

#### GRI 413-2: Operations with significant actual and potential negative impacts on local communities

Zürcher Kantonalbank does not pursue business activities that have a significant negative impact on local communities.

#### G4 (FS13): Access points in low-populated or economically disadvantaged areas by type

All clients can benefit from our comprehensive range of products and services. We operate the densest network of branch offices and ATMs in the Canton of Zurich. The bank can also be contacted by phone, via the electronic channels of the eBanking and eBanking Mobile services, via the smartwatch app and through various social media channels.

#### G4 (FS14): Initiatives to improve access to financial services for disadvantaged people

We promote accessibility for people with disabilities or impairments. We aim, for example, to prepare all content on our website so that every user can easily find and use the desired information. In addition, we promote accessibility at our branch offices and ATMs by providing wheelchair-accessible entrances. Finally, clients can have their cash in the desired currency delivered to their home by mail.

Many homeowners nearing retirement often worry that their bank will not continue their mortgage after retirement. We remain a reliable partner for our clients in the third stage of life and work with them to find a suitable financing solution – whether it is a continuation of the mortgage, the purchase of a home suitable for the elderly, or an increase in the mortgage for renovations.

### **3.5 Responsible sales practices**

#### 3.5.1 Management approach

##### GRI 103-1: Explanation of the material topic and its boundary

Responsible sales practices include all marketing activities that sustainably address the needs of our clients. They form the basis for the trust placed in Zürcher Kantonalbank and promote the positive perception of our bank. Our marketing activities address both existing and potential clients.

##### GRI 103-2: The management approach and its components

We gear our products and services towards the needs of our clients and offer high quality and value for money at prices that are fair and competitive at the same time. We advise and support our clients holistically by addressing all areas of need in an interconnected manner that can have a financial impact on current and future life situations – paying, saving, investing and financing, as well as retirement planning, estate planning and taxes. In this way we ensure coordinated, needs-oriented solutions.

We communicate with our clients, employees and the general public in a quick, direct, regular and transparent manner. Transparency is a central and overarching basic principle. We ensure our products and services are transparent so that our clients can make informed decisions. We avoid hidden fees. Any environmental and social impacts are identified explicitly depending on the situation. One example of this is that all our sustainability funds bear the European Transparency Code logo. Our advertising measures are tailored to our target groups and use

simple language appropriate for the group in question. Our remuneration policy is based on the bank's long-term goals and values. In line with that approach, it does not create incentives for taking inappropriate risks.

#### [GRI 103-3: Evaluation of the management approach](#)

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The Executive Board is responsible for dealing with topics related to sales, the ZKB brand and marketing. It is supported in this regard by the Sales Committee. Furthermore, the Board of Directors is responsible for assuring a suitable risk and control environment and arranges for an effective ICS. Further details can be found in Section 2.4 and in the [annual report](#) starting from page 134.

### 3.5.2 Topic-specific disclosures

#### Marketing and labelling

##### [GRI 417-1: Requirements for product and service information and labelling](#)

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We inform our clients transparently about all products and services. For example, all our sustainability funds exhibit the European transparency logo, and our sustainability indicator shows the degree of sustainability of over 1,200 investment funds (see GRI 103-2 in Section 3.2.1). In addition, our Fairtrade Gold, which we offer in cooperation with the Max Havelaar Foundation (Switzerland), is traceable back to the mine.

##### [GRI 417-2: Incidents of non-compliance concerning product and service information and labelling](#)

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The bank has not identified any violations relating to product and service information or labelling.

##### [GRI 417-3: Incidents of non-compliance concerning marketing communications](#)

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The bank has not identified any violations related to marketing or communication.

#### Labelling of products and services

##### [G4 \(formerly FS15\): Policies for the fair design and sale of financial products and services](#)

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Corresponding details can be found under GRI 103-2 in Section 3.5.1.

##### [G4 \(formerly FS16\): Initiatives to enhance financial literacy by type of beneficiary](#)

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We promote education on banking topics. In order to teach children and youths how to handle money, for example, we support Pro Juventute in its efforts to prevent young people from accumulating debt, as well as the Association of Swiss Cantonal Banks (ASCB) in its Finance Mission project.

## 3.6 Economic benefit

### 3.6.1 Management approach

#### [GRI 103-1: Explanation of the material topic and its boundary](#)

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Zürcher Kantonalbank generates economic benefits by contributing toward efforts to promote the development of the local economy. This is part of the bank's public service mandate to support the Canton of Zurich in finding solutions to address the canton's economic, environmental and social responsibilities.

#### [GRI 103-2: The management approach and its components](#)

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We collaborate with the Canton of Zurich in line with our public service mandate to help it find solutions to address the canton's economic, social and environmental responsibilities. We contribute to the promotion of Zurich as a business location and are committed to fostering environmental and societal progress in the Canton of Zurich. When fulfilling our public service mandate, we pursue a business policy aimed at long-term continuity, an adequate level of profitability and a steady distribution of profit to the Canton of Zurich and its municipalities.

In 2019, for example, we distributed CHF 356 million to the canton and its municipalities. The canton and the municipalities also received an extraordinary anniversary dividend totalling CHF 150 million in celebration of the bank's 150th anniversary. We have one of the largest apprenticeship programmes in the Canton of Zurich, with over 400 apprentices, and are also a major employer in the canton with nearly 5,000 full-time positions. We provide our clients with the densest network of branch offices in the Canton of Zurich and are present locally in about half of the 168 municipalities. Finally, we are involved in a wide range of activities related to nature, youth, culture, sport, social activities and entrepreneurship through more than 150 partnerships, memberships and sponsorships.

#### GRI 103-3: Evaluation of the management approach

Corresponding information is provided in sections 14 to 16 of the guidelines for the fulfilment of the public service mandate.

### 3.6.2 Topic-specific disclosures

#### Economic performance

##### GRI 201-1: Direct economic value generated and distributed

Corresponding details can be found in the [annual report](#) starting from page 162.

##### GRI 201-2: Financial implications and other risks and opportunities due to climate change

Climate change involves risks and opportunities as well as financial consequences. Zürcher Kantonalbank takes this into account in its business activities on an ongoing basis and is not exposed to any immediate significant changes as a result.

##### GRI 201-3: Defined benefit plan obligations and other retirement plans

Corresponding information can be found in the [annual report](#) starting from page 56.

##### GRI 201-4: Financial assistance received from government

As an independent public-law institution, Zürcher Kantonalbank (parent company) is exempt from taxes on its income and capital under cantonal tax law (§ 61) and the federal law on direct taxation (§ 56).

#### Indirect economic effects

##### GRI 203-1: Infrastructure investments and services supported

Corresponding details can be found in the [annual report](#) starting from page 12.

##### GRI 203-2: Significant indirect economic impacts

Corresponding explanations can be found in the [annual report](#) starting from page 17.

Further information

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