

Principles for Responsible Banking

Reporting and Self- Assessment

The Principles for Responsible Banking (PRB) provide a framework for a sustainable banking system with the aim of aligning the industry with the United Nations (UN) Sustainable Development Goals (SDGs) and the Paris Agreement. The PRB will embed sustainability at the strategic, portfolio and transactional levels, across all business areas. Zürcher Kantonalbank signed up to the UNEP Principles for Responsible Banking in December 2021 and is committed to continuously improving the firm's impact and contribution to society in accordance with the Principles.

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.

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.

On Sunday, 7 November 1869, an overwhelming majority of the people of Zurich voted in favor of establishing a cantonal bank. In doing so, they expressed their wish that not only privileged citizens and large companies should have access to affordable loans, but also as many private individuals and businesses as possible. There was a bitter shortage of money at times, particularly in rural areas of the canton. Therefore, Zürcher Kantonalbank was founded in 1870 as the bank of the people of Zurich. Zürcher Kantonalbank is a public-law institution under the cantonal law of Zurich. The interests and strategy of the owner are expressed in the Law on Zürcher Kantonalbank of 28 September 1997 (Cantonal Banking Law), which regulates the legal form, purpose, capitalization, state guarantee, business area, supervision, distribution of profit and the main principles of the organization as well as the tasks and competences of the governing bodies.

The scope and purpose of the Bank is defined in the Cantonal Banking Law. Article 2 of the Cantonal Banking Law defines our Bank's purpose and thereby our "public service mandate": "**The purpose of the Bank is to contribute to the solution of the economic, social and environmental obligation of the canton and thus support sustainable development.** The bank meets investment and financing needs through a business policy geared to continuity. In doing so, it takes particular account of the needs of small and medium-sized enterprises, employees, agriculture and public law corporations (öffentlich rechtliche Körperschaften). It promotes home ownership and low-cost housing construction as well as the achievement of greenhouse gas neutrality." (own translation, effective as of January 2024)

The public service mandate is specified in the respective Guidelines for the Fulfillment of the Public Service Mandate. Our public service mandate consists of providing the population of Zurich with financial services, assisting the canton in fulfilling its economic, social, and environmental obligations and adopting a responsible approach to the environment and society. Our business activities and public service mandate therefore benefit the Canton of Zurich, its municipalities, companies and the population. Non-profit commitments under the public service mandate amounted to over CHF 140 million in 2022.

With total assets of CHF 200 billion and 5,249 employees, we are the biggest cantonal bank in Switzerland and one of the biggest Swiss banks. We are the third-largest fund provider in the country and one of the largest promoters of start-ups in Switzerland, having supported 260 start-ups with CHF 220 million since 2005.

Nearly half of the people of Zurich and of the companies domiciled in the Canton of Zurich are clients of Zürcher Kantonalbank. We also operate the canton's densest network of branches and ATMs. We are the bank for small and medium-sized enterprises (SME) in the Greater Zurich Area: At the end of 2022, we counted about 70,000 companies as active clients in our core SME segments, putting our market penetration at around 50 percent in the Canton of Zurich.

Our core business includes account management, payment services and card business, financing business (mainly mortgages), investment and asset management, as well as securities trading and debt and equity capital markets. Moreover, we offer additional

Corporate Governance
(<https://www.zkb.ch/en/home/our-company/corporate-governance.html>)

Constitution of the Canton of Zurich, article 109 "The canton shall operate a cantonal bank" (<http://www.zhlex.zh.ch/Erlass.html?Open&Ordnr=101>)

Cantonal Banking Law (Article 2)
<http://www.zhlex.zh.ch/Erlass.html?Open&Ordnr=951.1>

Guidelines for the Fulfillment of the Public Service Mandate of Zürcher Kantonalbank (<http://www.zhlex.zh.ch/Erlass.html?Open&Ordnr=951.13,61,60>)

Annual report 2022
(<https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>)

Corporate strategy of Zürcher Kantonalbank
(<https://www.zkb.ch/en/home/our-company/corporate-strategy.html>)

Group mission statement
(<https://www.zkb.ch/en/home/our-company/mission-statement.html>)

services such as leasing business as well as advisory services in financial planning, inheritance, succession and real estate matters.

We also offer selected services throughout Switzerland and selectively abroad. Our client segments include Retail clients, High-net-worth individuals, Private banking, SME, commercial clients, business clients and corporate clients and other specialized segments (large corporations, pension funds, financial institutions, key clients, external asset managers, international private clients).

We hold an authorization of the Swiss Financial Market Supervisory Authority (FINMA) pursuant to the Federal Law on Banks and Savings Banks (Banking Act) to operate as a bank in Switzerland. Our business operations are subject to continuous supervision by FINMA.

2022 key figures:

- Market penetration in Greater Zurich Area: around 50 percent; top-ranked bank in retail and corporate banking
- Group profit: CHF 1.059 billion
- Profit distribution: CHF 491 million
- Return on equity (RoE): 8.4 %
- Total balance sheet: CHF 200 billion
- Net equity: CHF 13.3 billion
- Mortgages: CHF 97 billion
- Other credit exposure: CHF 33 billion
- Client assets¹: CHF 400 billion
- Active private clients: 710,000
- Traditional company start-ups in funding: CHF 21.3 million

In 2022, we generated consolidated profit of CHF 1.059 billion, making it the most profitable year in the bank's history. We distribute 46 percent of the profit, CHF 491 million, to the canton and municipalities.

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: TCFD, FINMA disclosure requirements on climate related financial risks
 Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: Federal Act on the Amendment of the Swiss Civil Code (Art. Art. 964j ff.)
 None of the above

Zürcher Kantonalbank's commitment to sustainable development is anchored in the Cantonal Bank Act in Article 2: "***The purpose of the Bank is to contribute to the solution of the economic, social and environmental tasks of the canton and thus supports sustainable development. It satisfies investment and financing needs through a business policy geared to continuity. In doing so, it takes particular account of the concerns of small and medium-sized enterprises, employees, agriculture and public law corporations (öffentlich rechtliche Körperschaften). It promotes home ownership and low-***

Cantonal Banking Law (Article 2)
<http://www.zhlex.zh.ch/Erlass.html?Open&Ordnr=951.1>

¹ A definition of the "client assets" can be found on Page 170 of the Annual report 2022 (<https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>)

cost housing construction as well as the achievement of greenhouse gas neutrality." (own translation, effective as of January 2024)

To this extent the purpose of the Zürcher Kantonalbank is aligned to the Sustainable Development Goals (SDG) and the Paris Climate Agreement.

We are guided by our public service mandate, which includes the dimensions of service, support and sustainability. These three topics are part of our strategic objectives. In line with our service obligation, we provide people and businesses in the canton with comprehensive banking services. In line with our support mandate, we assist the Canton of Zurich in the economic, social, and environmental areas. With our sustainability mandate we pursue a business policy focused on sustainability and continuity that reconciles the economy, environment and society. Sustainability forms an integrated part of our business model.

One of our strategic goals is to fulfill and enhance the public service mandate. This strategic goal is an integral part of our balanced scorecard.

Sustainability is an integral part of our corporate strategy: "*Zürcher Kantonalbank is guided by the United Nations' 17 sustainable development goals (SDGs):*

- *We actively shape sustainability issues.*
- *We are leaders in offering sustainable products and services.*
- *We accompany our clients on their journey to a more sustainable future."*

Our sustainability ambition is specified in our sustainability policy: We are guided by the United Nations' sustainable development goals (SDGs), the Paris Climate Agreement and the objective of achieving greenhouse gas neutrality by 2050. Our actions are based on scientific principles. We develop sustainable products and services and accompany our clients on their journey towards a more sustainable future.

We aim to minimize climate risks across our business activities and to create transparency. We follow the recommendations set out by the Task Force on Climate-Related Financial Disclosures (TCFD).

Further references to sustainability frameworks:

- UNEP Finance Initiative, UNEP FI, since 1995
- UN Principles for Responsible Investing, PRI, since 2009
- Swisscanto by Zürcher Kantonalbank joined the Net-Zero Asset Manager Initiative, NZAM, since July 2021
- Net-Zero Banking Alliance, NZBA, since December 2022
- With the first disclosure of our climate-related financial risks for the financial year 2021, we became a TCFD supporter in spring 2022.

Guidelines for the Fulfillment of the Public Service Mandate of Zürcher Kantonalbank (<http://www.zhlex.zh.ch/Erlass.html?Open&Ordnr=951.13.61.60>)

Public Service Mandate (<https://www.zkb.ch/en/home/our-company/public-service-mandate.html>)

Report with reference to the GRI Standard (p.4) <https://www.zkb.ch/en/home/investor-relations/esg-ir.html>

Annual report 2022 (p. 32-33, 37) <https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>

Corporate strategy of Zürcher Kantonalbank (<https://www.zkb.ch/en/home/our-company/corporate-strategy.html>)

Sustainability policy (<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>)

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 regularly² and fulfil the following requirements/elements (a-d)³:

- 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.

In the scope of the impact analysis we consider the parent company Zürcher Kantonalbank, which is located in Switzerland and includes all of the business areas described under principle 1. Not included in the scope are our subsidiaries Zürcher Kantonalbank Österreich AG, Zürcher Kantonalbank Finance (Guernsey) Ltd, ZKB Securities (UK) Ltd. and the representative offices.

We are currently testing the PRB Portfolio Impact Identification Tool for the parent company and our Asset Management.

- 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 & industries⁴ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
 - 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.

With regards to the impact analysis under UN PRB we refer to the Cantonal Banking Law, which defines our purpose, business areas and the geographical scope. Article 2 of the law on the Zürcher Kantonalbank defines our Bank's purpose and impact areas:

"The purpose of the Bank is to contribute to the solution of the economic, social and environmental tasks of the canton and thus supports sustainable development.

It satisfies investment and financing needs through a business policy geared to continuity. In doing so, it takes particular account of the concerns of small and medium-sized enterprises, employees, agriculture and public law corporations (öffentlich rechtliche Körperschaften). It promotes home ownership and low-cost housing construction as well as the achievement of greenhouse gas neutrality." (own translation, effective as of January 2024)

For our impact analysis we considered the following: our business activities with regards to our balance sheet and our market share:

For our impact analysis we analyzed our balance sheet (portfolio composition). The largest share of our balance sheet can be attributed to mortgage loans amounting to CHF 96,838 million. As a quarter of all CO2 emissions in Switzerland can be attributed to the real estate sector with fossil fuel heating systems being the key driver of the CO2-emissions, it is clear, that decarbonizing our mortgage business is a key area for achieving net-zero. The Canton of Zurich is aiming at achieving net zero by 2040, respectively to be net zero in 2050 at the latest. The amendment of the Cantonal Banking Act in March 2023 explicitly anchors our bank's responsibility in promoting the achievement of greenhouse gas neutrality. Therefore we consider climate and specifically decarbonizing our mortgage business a key impact area for our bank.

In addition to that we considered the size of our Asset Management. Our Asset Management is the third largest asset manager in Switzerland with CHF 208 billion in assets under management and was rewarded with the Swiss Sustainable Fund Awards (SSFA) as the "Best Asset Management Company" in 2022 and 2021.

Cantonal Banking Law (Article 2)
<http://www.zhlex.zh.ch/Erlasse.html?Open&Ordnr=951.1>

Annual Report 2022, Balance Sheet (p. 131)
<https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>

² 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.

³ Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

⁴ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

c) Context: 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?⁵ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

For our impact analysis we considered the following priorities related to sustainable development according to the following official documents:

- the Sustainability Agenda of Switzerland (Agenda 2030)
- the Climate Strategies of Switzerland and the Canton of Zurich
- our Cantonal Banking Law, Article 2 (public service mandate)

The Agenda 2030 of Switzerland identifies three clusters "climate, energy & biodiversity", "sustainable consumption and sustainable production" and "equal opportunities and social cohesion".

With regard to climate, the Swiss Government has pledged to net-zero by 2050. The Canton of Zurich has pledged to net-zero by 2040, respectively to be net zero by 2050 at the latest. In March 2023 the Cantonal Banking Act has being revised to explicitly mention in Article 2 our Bank's duty to promote greenhouse gas neutrality. (*own translation, effective as of January 2024*) This revision is reflecting the public discourse and the importance of the topic "climate" for the Canton of Zurich. Therefore, one of our core impact areas is "climate change mitigation".

With regards to our public service mandate, there is a long standing focus on serving the investment and financing needs locally and taking into consideration the needs of the SME -- the backbone of our economy -- the employees, agriculture and public law corporations (öffentlich rechtliche Körperschaften), promoting of home ownership and low-cost housing construction. Thus one of our core impact areas consulting the UNEP-FI Impact Analysis Tool is "Availability, accessibility, affordability, quality of resources & services" (Financial health and inclusion).⁶

This impact area is also in line with the federal 2030 sustainable development strategy ("equal opportunities and social cohesion").

Federal Sustainable Development Strategy 2030 (<https://www.eda.admin.ch/agenda2030/en/home/strategie/strategie-nachhaltige-entwicklung.html>)

Federal Climate Strategy 2050 (<https://www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/emission-reduction/reduction-targets/2050-target/climate-strategy-2050.html>)

Cantonal Climate Strategy (<https://www.zh.ch/de/umwelt-tiere/klima/langfristige-klimastrategie.html>)

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)? Please disclose.

Our two impact areas are:

Our first impact area is "**Climate change mitigation**": In Switzerland, the building sector is responsible for almost 40 percent of energy consumption and for around a quarter of CO2 emissions. Reducing CO2 emissions in the building sector thus has a significant relevance according to the national net-zero strategy 2050. Likewise, the canton of Zurich which in its climate strategy aims for net-zero by 2040, latest 2050, stresses the importance of CO2 reductions for the building sector. With our mortgage business we are directly intertwined with the real estate sector, which is responsible for a quarter of Switzerland's CO2-emissions. With the largest share of our balance sheet being mortgage loans, decarbonizing our mortgage business is a key impact area.

In addition to that, our Asset Management being the third largest asset manager in Switzerland, with CHF 208 billion in assets under management, has a key role to play in aligning investment flows with a low carbon pathway, which is enshrined in the Paris Agreement. Swisscanto by Zürcher Kantonalbank has pledged to the Net-Zero Asset Manager Initiative in July 2021.

Report with reference to the GRI Standard (p.10 and 12) <https://www.zkb.ch/en/home/investor-relations/esg-ir.html>

Annual disclosure on climate-related financial risks (p. 89) <https://www.zkb.ch/en/home/investor-relations/disclosure.html>

Annual report 2022: (p. 42) <https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>

⁵ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

⁶ see also under the UNEP-FI Impact Analysis Tool, impact topics under 'Availability, accessibility, affordability, quality of resources & service' include Water, Food, Energy, Housing, Healthcare & sanitation, Education, Mobility, Information, Connectivity, Culture & heritage and Finance)

⁷ 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.

Our second prioritized impact area is **"Financial health and inclusion"** regarding the "Availability, accessibility, affordability, quality of resources & services"⁸ as it is our core mandate based on our public service mandate. In order to fulfill our public service mandate, we pay particular attention to the concerns of SME, employees, agriculture and public law corporations (öffentlich rechtliche Körperschaften). We also promote home ownership and affordable housing. Our strong anchoring in the Canton of Zurich is reflected in our high market penetration for SME's and private clients Zurich. We operate mainly in the greater Zurich Area. With a market penetration rate of around 50 percent, we are the top-ranked bank in the Greater Zurich Area in both retail and corporate banking. We report regularly to the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU).

In conclusion, the two impact areas, **"climate change mitigation"** and "Availability, accessibility, affordability, quality of resources & services", thus **"financial health and inclusion"** are in line with the 2030 Sustainable Development Strategy, which identifies the following impact areas for Switzerland: Sustainable consumption and production patterns, climate/energy/biodiversity and Equal opportunities and social cohesion.

Sustainability policy
<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>

Our Asset Management:
<https://www.zkb.ch/en/home/asset-management.html>

d) For these (min. two prioritized impact areas): **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.

Our Board of Directors is currently in the process of further developing our public service mandate with the vision 2030. The development of the respective performance indicators is part of this strategic undertaking. Therefore the performance measurement is currently under development.

As part of the dialogue with our stakeholders, we regularly identify the material topics in the context of sustainability. The identification of material topics serves to prioritize our activities. These were assessed according to their relevance for our stakeholders and the materiality of their impact on sustainable development. Currently we are reassessing the material topics as part of our strategic undertaking to further develop our public service mandate.

The following sections should be reflected in the context of the above mentioned parallel strategic endeavor.

"Climate change mitigation"

Since 2021 we disclose our climate related financial risks according to the requirements of the Federal Financial Market Authority FINMA. Regarding aligning our financing and investment decisions with net-zero: In December 2022 our Bank pledged to the Net-Zero Banking Alliance. The first target setting round is due in 2024.

Since 2020 our Asset Management has a dedicated climate commitment. It has committed to a quantitative reduction path for all active investment funds in the traditional asset classes and is thus striving to aligning finance flows to a low carbon pathway.

Report with reference to the GRI Standard (p.10 and 12)
<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>

Annual disclosure on climate-related financial risks (p. 89)
<https://www.zkb.ch/en/home/investor-relations/disclosure.html>

Annual report 2022 (p. 42)
<https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>

Sustainability policy
<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>

Our Asset Management
<https://www.zkb.ch/en/home/asset-management.html>

⁸ Under the UNEP-FI Impact Analysis Tool, impact topics under 'Availability, accessibility, affordability, quality of resources & service' include Water, Food, Energy, Housing, Healthcare & sanitation, Education, Mobility, Information, Connectivity, Culture & heritage and Finance.

"Financial health and inclusion"

With regard to the financial health of SME in the Canton of Zurich, we have a monitoring system based on our public service mandate and report annually to the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU). With regard to private clients we offer a variety of services free of charge. Retirement planning is a relevant topic. We offer every client a one-hour retirement consultation free of charge as an initial analysis and to take stock of where they currently stand. It includes the submission of an action plan containing specific solutions for optimizing their retirement benefits.

As the bank that's "close to you" in the Canton of Zurich we are committed to families and children. Our services range and offerings for families focus on three main themes:

- Financial advice for parents: By pointing out which financial issues parents should take into consideration, we show them the costs their family will incur and provide them with advice on how to save money.
- Teaching money management: We provide help on key issues related to financial education. We support for example "FinanceMission" and "FinanceMission Heroes". "FinanceMission" is a campaign by cantonal banks to improve financial literacy among young people. "Finance-Mission Heroes" is a free educational game that helps young people learn how to manage money. Our common goal for "FinanceMission" is to raise awareness on responsible money management among young people and to promote their financial literacy.
- Benefits for families: Families benefit from our commitment to the environment, society and the economy. Customers benefit from lower admission prices with our partners during adventurous excursions.

Federal Climate Strategy 2050
(<https://www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/emission-reduction/reduction-targets/2050-target/climate-strategy-2050.html>)

Cantonal Climate Strategy
(<https://www.zh.ch/de/umwelt-tiere/klima/langfristige-klimastrategie.html>)

Federal Sustainable Development Strategy 2030
(<https://www.eda.admin.ch/agenda2030/en/home/strategie/strategie-nachhaltige-entwicklung.html>)

NZAM Swisscanto by Zürcher Kantonalbank
(<https://www.netzeroassetmanagers.org/signatories/swisscanto-invest/>)

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?

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?

Climate change mitigation and financial health & inclusion

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 targets⁹ 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 separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with¹⁰ 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. *You can build upon the context items under 2.1.*

Our bank joined the Net-Zero Banking Alliance in December 2022 and is currently implementing the requirements, thus setting sector-specific emissions-based climate targets in line with the latest insights of climate science. For our alignment we identified the national climate strategy 2050 as well as the climate strategy of the Canton of Zurich as relevant reference points.

Swisscanto Invest by Zürcher Kantonalbank joined the Net-Zero Asset Manager Initiative in July 2021.

Annual report 2022 (p. 42)

<https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>

Sustainability policy

(<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>)

Federal Climate Strategy 2050

(<https://www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/emission-reduction/reduction-targets/2050-target/climate-strategy-2050.html>)

Cantonal Climate Strategy

(<https://www.zh.ch/de/umwelt-tiere/klima/langfristige-klimastrategie.html>)

Federal Sustainable Development Strategy 2030

(<https://www.eda.admin.ch/agenda2030/en/home/strategie/strategie-nachhaltige-entwicklung.html>)

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 this 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:

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	

Impact area	Indicator code	Response
Financial health & inclusion	...	
	...	
	...	

⁹ 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.

¹⁰ Your 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.

- 2019 is the baseline for the interim targets covering the proportion of assets to be managed in line with net zero of the Asset Management
- Within the context of the Net-Zero Banking Alliance, we are currently assessing an emission baseline for setting sector-specific climate targets.

c) **SMART targets** (incl. key performance indicators (KPIs)¹¹: 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"

- The corporate environmental program defines the environmental goals for the operational ecology of Zürcher Kantonalbank (parent company). The respective ISO 14001 audit is conducted annually. The goal of the environmental program is to continuously reduce CO₂e emissions and increase operational ecological performance. As part of the environmental management system and public service mandate of Zürcher Kantonalbank, it promotes sustainability in banking operations. This programme has enabled us to reduce our CO₂e footprint by 68 percent since 2010 to 2,253 tonnes of CO₂e¹². Since 2009 we offset 100 percent of our unavoidable CO₂e emissions with Carbon Avoidance Certificates. Since 2019 we started to use Carbon Removal Certificates, thus negative emission technologies (NET) such as local biochar. The 2023-2030 environmental program is currently being developed under the guidance of the Bank's Steering Committee on the public service mandate. In addition to that, we are part of the "Energy Model Zurich" of the Canton of Zurich and thereby commit to ambitious goals. *"All members together have the common goal in relation to the Canton of Zurich and the Federal Government of increasing energy efficiency by a total of 14 percent and decreasing the CO₂-emissions by a total of 20 percent by 2030 (base year is 2020)"*
- Our bank joined the Net-Zero Banking Alliance in December 2022 and is currently implementing the requirements, thus setting sector-specific emissions-based climate targets in line with the latest insights of climate science. Our sector prioritization is based on the relevance with regards to financed GHG emissions and financial exposure in our balance sheet. Our first target setting is due mid-2024 and will be published in the first climate report for 2023, thus in the beginning of 2024.
- Swisscanto by Zürcher Kantonalbank joined the Net-Zero Asset Manager Initiative in July 2021. Already in 2020, our asset management, has implemented a quantitative reduction path covering the actively managed funds of the traditional asset classes of at least minus 4% CO₂e annually (baseline 2019) plus GDP growth based on a below 2°C threshold. With the commitment to the Net-Zero-Asset Manager Initiative our Asset Management is increasing the Assets under Management managed based on a 1.5°C-climate target. Our Asset Management made its Initial Climate Target Disclosure in November 2022. The targets and further information are disclosed on the [Net-Zero Asset Manager Initiative](https://www.netzeroassetmanagers.org/signatories/swisscanto-invest/) website:
 - 2025: 32% reduction of GHG-emissions
 - 2030: 54% reduction of GHG-emissions
 - 2040: 79% reduction of GHG-emissions
 - 2050: 90% reduction of GHG-emissions

Sustainability
(<https://www.zkb.ch/de/ueber-uns/investor-relations/esg-reporting.html>)

Annual disclosure on climate-related financial risks (p. 89)
<https://www.zkb.ch/en/home/investor-relations/disclosure.html>

Energy Model Zurich
(<https://www.energiemodell-zuerich.ch/en.php>)

Swisscanto by Zürcher Kantonalbank Targets (<https://www.netzeroassetmanagers.org/signatories/swisscanto-invest/>)

In order to address availability, accessibility, affordability, quality of resources & services, and to reach **financial health and inclusion** we have the following objectives:

- To address physical accessibility, we have the largest number of branches in the Canton of Zurich, our core region where we aim to be the Nr. 1 bank according to our group strategy.
- To enable economic inclusion for all private customers, we monitor closely our market penetration for private customers in the Canton of Zurich. We offer under the public service mandate several nonprofit services to enhance social inclusion, such as free consultations for retirement planning, tax planning, financial incentives for retirement funds, low-cost banking packages for students, financial incentives for the first mortgage, home ownership guaranteed in the third phase of life and so forth.

¹¹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

¹² GHG emissions Scope 1 from owned or controlled sources, Scope 2 marked based energy-related GHG emissions, and Scope 3 covering other energy-related GHG emissions from own operations

- To guarantee the availability of products and services for SME, we aim for a yearly market penetration of 50% for SME in the Canton of Zurich. With regards to strengthening the local economy, we focus on SME, the backbone of the economy. Every second SME is our customer. The bank also works closely with the “GO! Ziel selbstständig” association, helping people to become freelance entrepreneurs with ZKB microloans. Microbusinesses and small enterprises make an important contribution to the vibrant Zurich economy. We therefore ensure that these companies have access to professional advice and a wide range of services with fair conditions. Zürcher Kantonalbank’s portfolio in the year under review included more than 3,000 non-cost-covering microloans of less than CHF 200,000 for SME.
- We offer consulting services for generational change at SME.
- We are one of the largest early-stage start-up investors in Switzerland.

Our Board of Directors is currently in the process of further developing our public service mandate with the vision 2030. The development of the respective KPIs is part of this strategic undertaking.

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.

Our Board of Directors is currently in the process of further developing our public service mandate with the vision 2030. The development of the respective KPIs and milestones are part of this strategic undertaking.

Addressing Climate change mitigation:

- The bank's Steering Committee on the public service mandate, which covers sustainability, is currently defining the net-zero ambition for our own operations for the period 2023 - 2030.
- Within the context of the Net-Zero Banking Alliance, we are currently in the process of setting sector-specific emission based targets for our lending business. Our first target setting is due mid-2024 and will be published in the first climate report for 2023, thus in the beginning of 2024.

Addressing Financial health and inclusion:

- In order to develop further SMART targets for financial health and inclusion, we are currently in the process of developing new key performance indicators to fulfill our public service mandate. This is part of the strategic development of our public service mandate with the vision 2030.

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: <i>Climate change mitigation</i>	... second area of most significant impact: <i>financial health / inclusion</i>	<i>(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)</i>
Alignment	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> 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.

Additional information: Our Board of Directors is currently in the process of further developing our public service mandate with the vision 2030. The development of the respective KPIs and milestones and the monitoring system are part of this strategic undertaking.

Public Service Mandate
(<https://www.zkb.ch/en/home/our-company/public-service-mandate.html>)

The above defined impact areas are already an integral part of our strategic indicators of our public service mandate and therefore integral part of our balanced scorecard. The monitoring of the public service mandate and its respective indicators are reviewed annually by the Board of Directors and the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU). The reports are developed by the Unit of the public service mandate under the guidance and oversight of the Bank's Steering Committee of the public service mandate. The Bank's Steering Committee of the public service mandate consists of representatives of every division of the Bank and is chaired by the CEO and vice-chaired by the CFO and is in close collaboration with the Head of the public service mandate. The Executive Management is being subsequently included in the consultation process, before the Board of Directors approves the respective reports (monitoring).

Report with reference to the GRI Standard (p.4)
<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>

Further memberships
<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>

Climate Target implementation and monitoring in our own operations:

Our environmental management system has been certified according to ISO 14001 since 2002. We were able to complete the 2018–2022 environmental programme successfully. Our goal was to reduce CO₂e emissions to 3,000 tons of CO₂e (30 percent reduction compared to 2016, which served as our reference year). We overachieved. Since 2010, we have reduced CO₂e emissions from 7'074 t CO₂e to 2'253 t CO₂e, thus less than the 3,000 metric tons resulting in a 68% reduction. Since 2009 we offset 100 percent of our residual CO₂e emissions with Emission Avoidance Certificates, preferably nationally with projects in the Greater Zurich Area. Since 2019 we started to use carbon removal certificates with technical removals and nature-based removals (biochar). In the next years we will continuously increase our proportion of high-quality carbon removal certificates which guarantee a permanent carbon capture and storage and reduce our carbon avoidance certificates accordingly. Currently the environmental program for the period 2023-2030 is in the approval process.

Report on the public service mandate
<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>

Annual report 2022 (p. 32, 37)
<https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>

Climate Target implementation and monitoring of our Asset Management:

Our asset management has committed to a quantitative CO₂e reduction path for all active investment funds in the traditional asset classes (corporate equities, corporate bonds and sovereign bonds). To this end we implement a science-based CO₂e reduction target of at least four percent annually (based on a two-degree climate target). We also conduct a direct dialogue with the investee companies about achieving greenhouse gas neutrality by 2050. Our asset management's direct real estate investments are geared towards the target values set out in the Energy Efficiency Path (SIA 2040), which is based on the vision of the 2000-watt society and the Paris Climate Agreement.

These reduction targets covering all active investment funds (- 4 % CO₂e annually, baseline 2019, adjusted by GDP growth) – aiming at keeping actively managed finance flows below the 2°C threshold – are monitored and reported on a quarterly basis and are accessible on our Asset Management's website.

With the commitment to the Net-Zero-Asset Manager Initiative our Asset Management is increasing the Assets under Management based on a 1.5°C climate target. Our Asset Management made its Initial Climate Target Disclosure in November 2022. The targets and further information are disclosed on the [Net-Zero Asset Manager Initiative](#) website (see 2.2 c)

"Financial health and inclusion"

With regard to the financial health of SME in the Canton of Zurich, we have a monitoring system based on the public service mandate and report annually to the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU).

The Monitoring System consists of KPIs monitoring the market penetration of SME, non-profit-micro loans and the promotion of entrepreneurship for example. The monitoring system also tracks the early stage start-up investments as our bank is one of the largest early stage start-up investors in Switzerland. Our bank also helps to develop the ecosystem for entrepreneurship through its corporate citizenship activities in the Canton of Zurich. With regard to private clients we monitor the market penetration in the Canton of Zurich, access to micro-loans, free of charge retirement planning and consultation, access to home ownership, home ownership in the third phase of life and so forth.

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 customers¹³ 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 activities¹⁴. 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.

Our sustainability ambition embedded in our corporate strategy is to "accompany our clients on their journey to a more sustainable future". Our Sustainability policy outlines the sustainability ambition and sustainability understanding of our bank. Further it defines for all relevant E (Environment), S (Social) and G (Governance) topics what we want to achieve with regards to positive impact and which risks we want to reduce and where we define strict exclusion criterias. In our financing business we address ESG risks and opportunities with our clients and promote sustainable business models that are fit for the future. Our credit policy is geared towards continuity and long termism and thus makes us a reliable financial partner for companies with intact prospects, especially in difficult times. ESG topics from the credit policy are integrated and highlighted in our sustainability policy endorsed by the Executive Board. Usually when products and services are approved for the first time or are reassessed, we examine, when relevant, their alignment with sustainable development and the alignment with greenhouse gas neutrality by 2050.

We are building customer journeys in the field of decarbonizing the real estate sector (environmental mortgages) and are a leader in sustainable investment practice.

With our environmental mortgage, we promote energy-efficient construction and renovation for the past 30 years. Clients with such loans 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. Our environmental mortgages are used to construct new buildings and carry out renovations with proven energy-efficient characteristics. Since 2020, we offer independent heating replacement consultations for our clients free of charge. We do this in partnership with the Canton of Zurich's electricity provider (EKZ), the City of Zurich Office for Environmental and Health Protection (Umwelt- und Gesundheitsschutz Stadt Zurich) and the Energy Office of the City of Winterthur (Energiefachstelle der Stadt Winterthur).

We systematically query our clients about their sustainability preferences as part of our wealth management and investment advice services. We inform our clients comprehensively and transparently about the ESG criteria of the investment solutions.

Corporate strategy of Zürcher Kantonalbank
(<https://www.zkb.ch/en/home/our-company/corporate-strategy.html>)

Sustainability policy
(<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>)

Self-regulation by the Swiss Bankers Association
(<https://www.swissbanking.ch/en/topics/sustainable-finance/self-regulation-in-sustainable-finance>)

Report on the public service mandate (p. 14 to 15)
(<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>)

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.).

Financing Business

- We promote sustainability in the financing business with selected products and services: For example, we grant an interest rate reduction for environmentally friendly construction and renovation with the **ZKB environmental mortgage**. Since 2020, we have offered free of charge, independent **heating replacement consultations** for clients with a property in the Canton of Zurich in collaboration with the Elektrizitätswerke des Kantons Zürich (EKZ). (see 3.1)

Report with reference to the GRI Standard (p.10 and 12)
(<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>)

Since 2022, the ZKB environmental mortgage has been extended to farmers who take measures for climate and soil protection. Thus, there is an interest rate reduction for environmental investments such as slurry tank ventilation, biogas plant, central heating plants for wood combustion or pyrolysis facilities.

- In 2022 we launched the **ZKB WohnPlus mortgage**, a new offering for non-profit housing developers that provide additional social services. Non-profit housing developers can thus receive an interest rate reduction on the mortgage for their housing developments.
- With **Sustainability-Linked Loans**, we offer our large corporate customers financing solutions that are linked to sustainability targets.
- We support our larger corporate clients in the capital market with the launch of **ESG-labeled bonds** (e.g. environmental, social, sustainability and sustainability-linked bonds). (Volume in CHF can be seen on page 50-51 int Annual Report 2022 in German)

Start-up Finance

More than 260 start-ups were supported with CHF 220 million since 2005. We are one of the largest early stage start-up investors in Switzerland. In addition to that, we also invest in the start-up ecosystem as part of our corporate citizenship.

Together with the **private equity** fund launched by Zürcher Kantonalbank's asset management in 2018, which invests in promising young companies during the subsequent growth phase, we now offer a solution with equity capital that supports companies during every stage of their development, from starting up to scaling-up and growth.

Sustainable investments

For our investment business we are guided by the United Nations' Principles for Responsible Investment (UN PRI), which we report on each year. We systematically integrate ESG risks and opportunities into all investment solutions. For direct investments, we focus on dialogue with the companies which we are invested in with a view to achieving the United Nations Sustainable Development Goals (SDGs) and greenhouse gas neutrality by 2050. Our asset management is in active dialogue with companies which we are invested in, encouraging them to formulate and implement effective CO₂e reduction targets. In addition, the achievement of CO₂e reduction targets is also managed via capital allocation. Voting rights are exercised based on Swiss and international corporate governance rules and the United Nations Principles for Responsible Investment and in the interests of the company's long-term success based on sustainable principles. We publish our voting policy and voting behaviour transparently. Zürcher Kantonalbank's asset management was named "Best Asset Management Company" for the second time in a row at the Swiss Sustainable Fund Awards (SSFA) in 2022. In 2022, our asset management also launched a private equity carbon solutions fund to strengthen selected companies that contribute to decarbonisation. In the standardised ZKB Discretionary Mandate, dialogue with the companies which we are invested in, participation in investor initiatives and the exercise of voting rights take place indirectly through the choice of external asset managers.

30% of our clients assets¹⁵, CHF 118 billion are invested in sustainable investments.

Report on the public service mandate
<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>

Annual report 2022
(<https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>)

¹³ 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.

¹⁴ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

¹⁵ A definition of the "client assets" can be found on Page 170 of the Annual report 2022 (<https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>)

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 groups¹⁶) 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.

We are in constant, open, and transparent dialogue with our stakeholders. The dialogue takes place within the framework of a systematic exchange or in the case of ad hoc inquiries.

- Owner (Canton of Zurich): As the bank of the Canton of Zurich we maintain regular personal exchange with the representatives of the Canton of Zurich and its municipalities.
- Customers: We create proximity to our clientele daily during personal consultation and support. We also conduct a customer satisfaction survey every two years.
- Employees: We communicate regularly with our employees and survey them on employee satisfaction every two years. We are also in regular contact with employee representatives.
- Suppliers and partners: We hold regular discussions with suppliers and partners. To provide our customers with optimal advice with regards to energy-efficient building modernisation, we supplement our financial expertise with dedicated know-how from external specialists, if required. We work together with the Building energy certificate of the cantons (GEAK), the city of Zurich and Winterthur, Electricity utilities of the Canton of Zurich (EKZ) and Minergie.
- Public: We are in ongoing dialog with representatives of business, the environment and society, as well as the media and culture.
- Regulators (FINMA, SNB, Federal Administration)

Topics in the context of sustainability were assessed according to their relevance for our stakeholders and the materiality of their impact on sustainable development. The first assessment was carried out by means of interviews with stakeholder representatives. The second assessment was carried out in workshops. Both assessments are mapped in the Global Reporting Initiative (GRI) materiality matrix, which forms the basis for determining and delineating the material issues. The materiality matrix can be found in the Annual Report (page 40).

Annual report: (p. 40)
<https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>

Report with reference to the GRI Standard (p.9)
<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>

Report on the public service mandate, (p. 15)
<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>

Corporate Governance
<https://www.zkb.ch/en/home/our-company/corporate-governance.html>

¹⁶ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

Principle 5: Governance & Culture

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

5.1 Governance Structure for Implementation of the Principles

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.
-
- The Guidelines on the Fulfillment of the public service mandate define the Governance of the public service mandate. Article 11 defines, that the Chairmen of the Board is assisted in the performance of its duties with regards to the public service mandate by the Steering Committee on the public service mandate, which consists of representatives from all business units and is chaired by a person responsible for the public service mandate.
 - Public Service Mandate Steering Committee (SALA): The Chairmen of the Board is assisted in performing its duties by a specialist committee consisting of representatives of all business units. This specialist committee advises and supports the Chairmen of the Board and the Board of Directors in all matters relating to the public service mandate. The CEO chairs and the CFO vice-chairs the committee in close cooperation with the Head of the public service mandate unit. This person plans and coordinates the meetings in conjunction with the chairperson. The Steering Committee on the public service mandate steers the public service mandate, which includes the service mandate, support mandate and sustainability mandate. It's mandate is to advise and support the Executive Committee and the Board of Directors in fulfilling the public service mandate anchored in the law of the Zürcher Kantonalbank. This includes amongst others:
 - Initiating and preliminary consultation of the amendments to the sustainability policy.
 - Promoting sustainability integration in divisional strategies.
 - Advising on the implementation of regulatory requirements on sustainability issues.
 - Preliminary consultation on the signing of important national and international frameworks, initiatives, and alliances in the field of sustainability.
 - Preliminary consultation on new developments of products and services for which sustainability is a central feature.
 - The public service mandate unit is responsible for planning, implementing, refining, monitoring, and communicating the public service mandate. The public service mandate includes the sustainability mandate, which covers the climate issue.
 - Including the three full members of the Chairmen of the Board, the Board of Directors consists of 13 members elected by the cantonal parliament for a term of four years. The Board of Directors' term of office is limited to twelve years and in any case ends upon reaching the age of 70 years. The most important competencies include defining the principles of corporate policy, the mission statement, strategy and organization, approving the annual report and annual accounts, determining the amount of profit distribution to the canton and municipalities, receiving information on large risk positions and appointing and dismissing members of the Executive Board. The Board of Directors define the principles for corporate policy, the mission statement, business strategy and organization. Together with the Chairmen of the Board, they are also responsible for dealing with the public service mandate. In this context, they regularly address the identification and management of economic, environmental, and social impacts. In doing so, they are in dialogue with the stakeholders. The review of economic, environmental, and social issues takes place at least annually. In a structured annual cycle, the Board of Directors deals with the analysis of the strengths and weaknesses, opportunities, and threats of Zürcher Kantonalbank as well as

Guidelines for the Fulfillment of the Public Service Mandate of Zürcher Kantonalbank
(<http://www.zhlex.zh.ch/Erlaess.html?Open&Ordnr=951.13.61.60>)

Annual disclosure on climate-related financial risks (p. 89)
<https://www.zkb.ch/en/home/investor-relations/disclosure.html>

Corporate Governance
(<https://www.zkb.ch/en/home/our-company/corporate-governance.html>)

Annual report: (p. 96)
<https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>

the associated strategic risks. It approves the risk policy and the framework concept for Group-wide risk management. It also receives periodic reports from the Executive Board on all relevant aspects of risk management. The Board of Directors Risk Committee provides support in overseeing the Bank's risk management. Responsibility for the ultimate political supervision of Zürcher Kantonalbank lies with the Cantonal Parliament. Its duties are set out in section 11 of the Cantonal Bank Act. In addition to the election of the members of the Board of Directors and Chairmen of the Board, they include approving the guidelines on the fulfilment of the public service mandate, the regulations governing the compensation paid to members of the Board of Directors, and the annual financial statements and annual report of the bank, as well as discharging the governing bodies.

- The Cantonal Parliament of Zurich has charged the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU) with ultimate supervision in accordance with section 12 of the Law on Zürcher Kantonalbank. This standing, supervisory Cantonal Parliamentary Committee inspects the minutes of the Board of Directors and, depending on the matter concerned, obtains information from the Chairperson, the Chairmen of the Board, members of the Board of Directors, the Chief Executive Officer, other members of the Executive Board or representatives of the external auditors regarding the activities, course and results of the bank's business and any important events.
- The Executive Board (EB) is responsible for setting the various business policies. In the sustainability policy, the Executive Board explicitly addresses the climate issue and sets out how Zürcher Kantonalbank wishes to promote the issue of sustainability in its business operations. The lending policy is aligned with the sustainability policy and sets out the principles for the lending business in concrete terms, for example by excluding financing for certain sectors or product categories. The policy for the investment and wealth management business (IWM) is based on the sustainability policy.

The Board of Directors ensures that the material sustainability topics are addressed. In summer 2022 the Board of Directors held a strategic seminar on the public service mandate and sustainability to further develop the public service mandate with the vision 2030.

The Committee for the Supervision of Commercial Undertakings (AWU) chooses every year, which impact topic needs to be analyzed and reported on as part of our annual report. In 2021 it was the topic of retirement planning, in 2022 it was the topic of ESG in the financing business.

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).

We actively engage in education and awareness raising for employees, staff, clients and our local communities on corporate responsibility and sustainability topics and issues. Through employee onboarding, education, and broader awareness-raising activities, we ensure that our employees understand their responsibilities in complying with our policies and the importance of our public service mandate. We offer special training in ESG for the financing business and investment business.

We support several different organizations that help promote sustainable development. We put a special focus on knowledge building, networking between different players, innovations, the general conditions for a sustainable economy and the development of industry standards.

To raise awareness among our employees in our corporate environmental program, we promote public transport and have partnerships with the SBB and Mobility Car sharing. Our relationship managers use electric vehicles for business travels. In addition to that, we conduct various internal trainings and theme days and weeks (for example on waste) to increase employee awareness.

Annual report: (p. 80)
<https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>

To establish an active feedback culture, we dropped the annual review for all employees. The employees take responsibility for their own learning and development process and actively use a variety of digital tools. Managers support and accompany their employees and the team by giving them creative freedom and encouraging dialogue.

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹⁷ 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.

Our Sustainability policy outlines the sustainability ambition and sustainability understanding of our bank. Further it defines for all relevant E (Environment), S (Social) and G (Governance) topics what we want to achieve with regards to positive impact and which risks we want to reduce and where we define strict exclusion criterias. In our financing business we address ESG risks and opportunities with our clients and promote sustainable business models that are fit for the future. Our credit policy is geared towards continuity and long termism and thus makes us a reliable financial partner for companies with intact prospects, especially in difficult times. ESG topics from the credit policy are integrated and highlighted in our sustainability policy endorsed by the Executive Board.

Annual disclosure on climate-related financial risks (p. 89)
<https://www.zkb.ch/en/home/investor-relations/disclosure.html>

Corporate Governance
<https://www.zkb.ch/en/home/our-company/corporate-governance.html>

Annual report: (p. 96)
<https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>

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

¹⁷ 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.

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.

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: UN PRI, NZAM

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹⁸, target setting¹⁹ and governance structure for implementing the PRB)? Please describe briefly.

In 2022 and 2023 we focused on the strategic further development of our public service mandate with the vision of 2030. With the amendment of the law on the Zürcher Kantonalbank on 27th of March 2023 the purpose article of the Cantonal Bank Act has been further developed and now includes an explicit obligation with regards to climate. It serves as a basis for our first UN PRB self-assessment and the following assessments. Currently our public service mandate and the respective KPIs are under further development with the vision 2030.

A next step will be a thorough analysis of the impact assessment tool, provided by the UN PRB secretariat. We will also take actively part in the UN PRB Impact Assessment Working Groups.

Since 2022 we are a TCFD Supporter and joined the Partnership for Carbon Accounting Financials (PCAF). Since 2021 Swisscanto Invest by Zürcher Kantonalbank committed to the Net-Zero Asset Manager Initiative and since 2022 the Bank has committed to the Net-Zero Banking Alliance. We disclosed for 2021 and 2022 our climate related financial risks.

Annual report: (p. 36)
<https://www.zkb.ch/en/home/investor-relations/annual-and-half-yearly-reports.html>

Our Memberships
(<https://www.zkb.ch/en/home/investor-relations/esg-ir.html>)

Annual disclosure on climate-related financial risks (p. 89)
<https://www.zkb.ch/en/home/investor-relations/disclosure.html>

¹⁸ 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

¹⁹ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.