

A photograph of a park with large trees and people walking. The scene is bright and sunny, with long shadows cast on the ground. Several people are visible, some standing and talking, others walking. The trees are lush green, and the ground is a mix of grass and gravel paths.

**Long-term commitment –
to current and future
generations.**

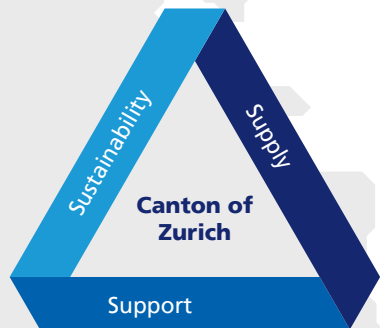
Services on behalf of everyone.

Zürcher Kantonalbank was founded in 1870 as the “bank of the people of Zurich”. We are the bank that’s close to you. We have a special connection with the people and economy of Zurich as well as its environment. Ever since we were founded over 150 years ago we have been committed to our public service mandate, which comprises service, support and sustainability components. It is our unique selling point – and we are proud of it. This report shows how we make a sustainable contribution to our clients and the population of Zurich.

Our annual expenses primarily include elements of the public service mandate that are not profit-oriented. The bank has set a target of spending CHF 100 to 120 million per year on these elements. This was significantly exceeded in 2022.

CHF 140 million.

Total for the public service mandate in 2022



A duty to serve

We provide the people and the economy with the financial services of a universal bank. These include payment transactions, saving, investing, financing, retirement planning, financial planning, taxes and estate planning. In doing so, we pay particular attention to the concerns of small and medium-sized enterprises, employees, agriculture and public authorities. We also promote home ownership and affordable housing. We provide our clients with an excellent client experience across all channels, regardless of whether communication takes place in the physical or digital world.

A duty to provide support

We help the canton resolve economic, social and environmental issues. Through more than 400 partnerships, memberships and sponsorship measures, we actively support a wide range of activities in the areas of nature, youth, culture, sport, social activities and entrepreneurship. In addition, we have one of the largest apprenticeship programmes with nearly 400 apprentices, and are also a major employer in the canton with over 5,700 employees.

A duty to act sustainably

We pursue a business policy focused on sustainability and continuity. Our products and services offer us the most effective source of leverage. The ZKB Environmental Loan, for example, promotes sustainable building and renovation. Our investment solutions systematically take sustainable criteria ("ESG¹ criteria") into account, thereby giving our clients the opportunity to invest responsibly. We set ourselves high standards and goals for our conduct. Here, we are guided by the 17 Sustainable Development Goals of the United Nations and the Paris Climate Agreement. In December 2022, Zürcher Kantonalbank joined the Net-Zero Banking Alliance as part of its ambition to achieve net zero by 2050.

¹Environmental Social Governance

Our products and services

As the bank of the people of Zurich, we create economic, social and environmental benefits. When designing our products and services, we also take sustainability criteria into account. The business policy of Zürcher Kantonalbank is impressive in terms of its continuity and stability. We foster a risk culture geared towards responsible behaviour. The lending business is based on a consistent and continuous credit policy that looks beyond the economic cycle.

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 arm is in active dialogue with companies which we are invested in, encouraging them to formulate and implement effective CO₂e reduction tar-

gets. 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 arm was named "Best Asset Management Company" for the second time in a row at the Swiss Sustainable Fund Awards (SSFA) in 2022.²



In 2022, our asset management arm 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.

² <https://voxia.ch/en/swiss-sustainable-funds-awards-2022>

Sustainable research

Since 2022, our sell-side research has been assessing the sustainability of over 140 companies listed in Switzerland with an ESG rating based on comprehensive data evaluations from reliable sources as well as the broadly supported expert assessment of our research analysts. By doing so, we are creating added value for institutional investors and further expanding our commitment to sustainability.

Capital markets

We support our larger corporate clients in the capital market with the issuance of ESG-labelled bonds (e.g. green, social, sustainability and sustainability-linked bonds).

Precious metals

In 2022, the offering of traceable gold was expanded. We offer Fairtrade gold in amounts from 1 to 20 g and we offer traceable gold in amounts above one ounce³. A new offering for traceable silver was also set up. We can show exactly where the respective precious metal in each individual traceable gold or silver bar comes from. That improves transparency for producers, traders and clients along the entire supply chain.

Sustainable financing

We offer a wide range of financing products to help our clients create a sustainable future. We also underline our commitment by offering sustainability-focused products at preferential rates.

³ 1 oz \approx 31.10 g



The ZKB Environmental Loan celebrates its 30th anniversary

Zürcher Kantonalbank is one of the pioneers in sustainability. As early as 1992, for example, we launched the Environmental Loan – a low-interest mortgage for environmentally friendly construction and renovation. This innovative product, aimed at decarbonising the building sector, celebrated its 30th anniversary in 2022. The ZKB Environmental Loan is designed as a fixed-rate mortgage, and allows homeowners to benefit from an attractive interest rate reduction of up to 0.8 percent per year for a maximum of five years. To be granted the Environmental Loan, applicants must provide proof of a sustainability impact as a result of a pioneering project involving particularly innovative building measures or individual energy measures (e.g. replacement of a fossil heating system) through presentation of a Minergie or 2000-watt site certificate or a cantonal building energy certificate (GEAK).

In 2022, eligibility for a ZKB Environmental Loan was extended to include farms which take measures to protect the climate and the soil. This means that investments for slurry tank ventilation, biogas plants, central CHP plants for wood combustion or pyrolysis facilities can benefit from low-interest loans.

In 2018 we became the first Swiss bank to start issuing our own green bonds to refinance environmental loans, and we have been issuing them to refinance projects with energy objectives in the office buildings used by Zürcher Kantonalbank itself since 2021.

ZKB WohnPlus mortgage

The promotion of non-profit and affordable housing is also one of Zürcher Kantonalbank's objectives. As part of this commitment we have already played an important role in the creation of well-known housing cooperatives, and we have always been a reliable partner for them. With the ZKB WohnPlus mortgage, we launched a new offer in 2022 for non-profit housing developers who provide special social services. These developers can benefit from an interest rate reduction of up to 0.5 percent on their fixed-rate mortgages if they meet clearly defined criteria. While the ZKB Environmental Loan promotes environmental sustainability, the ZKB WohnPlus mortgage focuses on social aspects.

Sustainability in corporate banking

With the sustainability-linked loan, we provide credit to our major corporate clients which is linked to sustainability criteria.

Climate-relevant memberships and partnerships

Given the importance of the climate issue, Zürcher Kantonalbank strengthened its commitment to the topic in 2022 by signing up to a number of climate-related initiatives:

Net-Zero Banking Alliance (NZBA)

Zürcher Kantonalbank joined the Net-Zero Banking Alliance (NZBA) in December 2022. In doing so we aim to achieve net-zero greenhouse gas emissions by 2050, and we commit to sector-specific, science-based targets and milestones aligned with the 1.5°C climate target through our business activities. Among other things, Zürcher Kantonalbank will steadily expand its range of products and services to accompany clients towards a sustainable climate-neutral future, continue to promote the innovations necessary to decarbonise the global economy and promote active dialogue at the national level as an important cornerstone of its efforts to achieve net zero by 2050.

Partnership for Carbon Accounting Financials (PCAF)

Zürcher Kantonalbank joined the Partnership for Carbon Accounting Financials (PCAF) in 2022 in order to successively increase transparency regarding financed greenhouse gas emissions.

Supporter of the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD)

The G20 Financial Stability Council has launched the Task Force on Climate-related Financial Disclosures (TCFD) to establish a framework for reporting on climate-related financial risks and impacts. This is becoming more and more important.

In spring 2022, Zürcher Kantonalbank analysed and disclosed the climate-related financial risks in the short, medium and long term for the first time for the 2021 financial year. At the same time, we became a TCFD supporter in spring 2022. Further information can be found in the disclosure report (see zkb.ch/offenlegung).

Supporting member of swisscleantech

Zürcher Kantonalbank has been a member of swisscleantech, the Swiss business association of climate-conscious companies, since 2019. In 2022, we extended our commitment and became a supporting member. The focus will be on exchanging knowledge, consultation and further development to create a climate-friendly economy.

Start-up funding

We were one of the largest and most active start-up investors in Switzerland in 2022, and provided young companies with over CHF 15 million in risk capital.

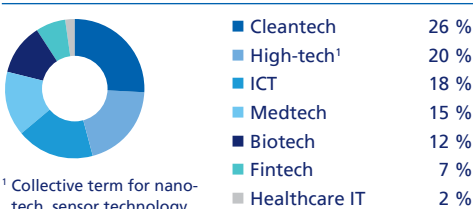
We have been financing innovative start-ups ever since 2005, especially in the early stages of the corporate cycle. But even after a company’s successful launch on the market, adequate financing options that help start-ups become independent or make investments for further growth are often scarce. That poses a major problem for innovative young Swiss companies. To bridge that gap, we are expanding our offering and have provided further investments during the scaling-up phase since 2021. Those investments then lay the foundation for the start-up’s future growth.

Together with the private equity fund launched by Zürcher Kantonalbank’s asset management arm 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.

This approach enables Zürcher Kantonalbank to use its expertise as a universal bank to give start-ups access to end-to-end financing as well as services along the entire lifecycle.

We have successfully supported the following two start-ups by providing them with risk capital, and we continue to monitor their progress.

Composition of the “Pioneer” start-up portfolio



Somagenetix

This spin-off from the University of Zurich is developing a novel somatic gene therapy approach to help cure life-threatening diseases. Gene therapies are a promising therapeutic area in medicine. While most medicines available today only address the symptoms of a disease, gene therapies try to correct the underlying genetic cause of a disease. The first application of Somagenetix’s technology is in the fight against a rare immunodeficiency that until now could



only be treated by transplanting bone marrow stem cells from a donor. Somagenetix has developed an innovative approach that repairs the diseased stem cells by inserting a healthy copy of the diseased gene into the genetic material (DNA). This could massively increase the life expectancy and quality of life of those affected.

Insolight SA

The EPFL start-up Insolight is developing an agrivoltaic solution (Insolagrín) for agriculture. These panels replace plastic tunnels and shading systems for plants and enable solar energy to be generated at the same time. Insolagrín provides protection

for plants and dynamically controls light transmission, meaning that excess light is converted into electricity.

Insolight’s solar modules produce 30-50 percent more energy than other translucent solar modules on the market. The light transmission in Insolagrín is dynamically controlled, with no need to move the modules. An algorithm optimises the flow of light during the growth and harvest phases of the plants.



Fairtrade and traceable gold

Traceable silver

Fairtrade gold

In cooperation with the Max Havelaar Foundation (Switzerland) we are the first bank in the world to offer Fairtrade gold bars, with weights ranging from one to twenty grammes. This forms part of our commitment to protecting people and the environment in small-scale mining and promoting support for both miners and their families and communities, which ensures that they can make lasting improvements to their situation through their own efforts.

Traceable gold

In addition to Fairtrade gold bars, since April 2021 Zürcher Kantonalbank has offered its clients gold bars with forensic traceability. We offer Fairtrade gold in amounts from 1 to 20 g and we offer traceable gold in amounts above one ounce.

The new technology allows us to close the gold tracking cycle completely. That improves transparency for producers, traders and clients along the entire supply chain. In keeping with our Sustainability Policy, this helps us improve the integrity of the value chain.

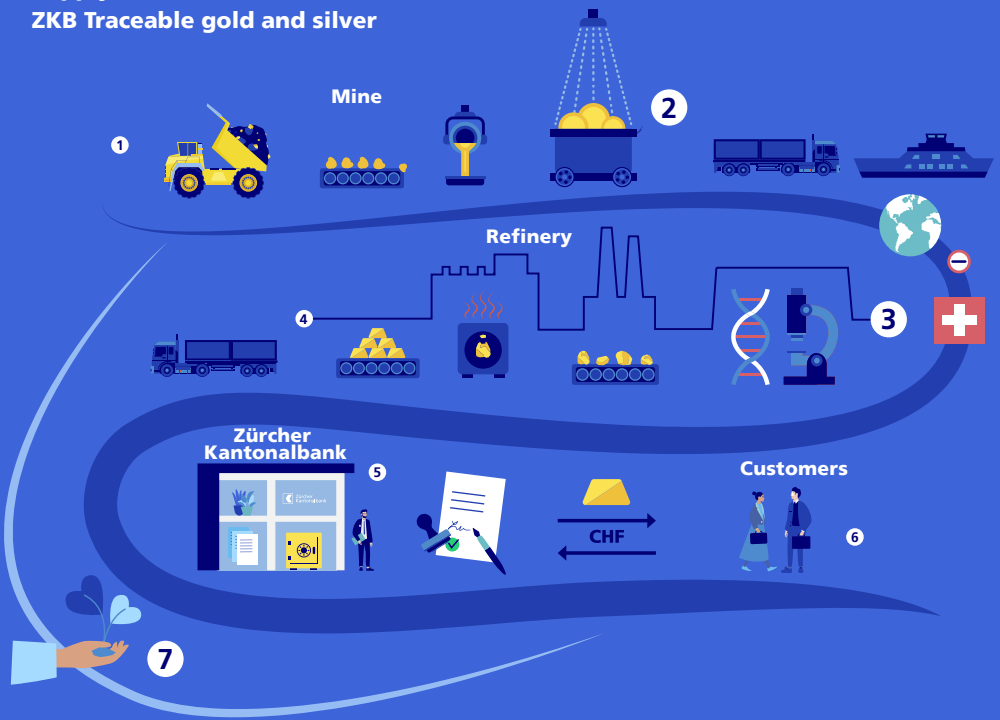
Traceable silver

Since 2022 the range of forensically traceable precious metals has been expanded, and now also includes silver as well as gold.

What does traceable gold and silver mean?

Traceable in this context means we can show exactly where the gold or silver in each bar comes from. The raw gold is treated in the mine using a new marking technique from Haelixa, an ETH spinoff. When the shipment arrives, the refinery tests the material and uses PCR tests to unambiguously determine the origin of the precious metal. Haelixa, with which Zürcher Kantonalbank has signed a long-term partnership as part of the start-up funding programme, has already been able to use this marking technique successfully with other materials.

Supply chain of ZKB Traceable gold and silver



- ❶ Gold in certified mine
- ❷ DNA marker is sprayed onto raw gold
- ❸ A PCR test is used to check raw gold for markers at the refinery, after which it is processed in a separate line
- ❹ Traceable gold bars are marked with a unique serial number and stamped as necessary
- ❺ Zürcher Kantonalbank documents information about its origin
- ❻ Clients have complete transparency and traceability
- ❼ The premium collected by the refinery is used to support environmental and social projects in the mines

Sustainability in the mortgage business

Zürcher Kantonalbank is the largest real estate financier in the Canton of Zurich. Our ambition is to professionally support our clients with attractive offers and comprehensive advice. In doing so, we are guided by the objectives of the federal government and the Canton of Zurich with a view to achieving greenhouse gas neutrality.

Much work to be done in the building sector

In Switzerland, the building stock is responsible for almost 40 percent of energy consumption and about a quarter of CO₂ emissions.⁴ In the Canton of Zurich two thirds of properties are currently heated with fossil fuels, which represents a lot of potential for reducing greenhouse gas emissions. Therefore, there is a lot of potential for reducing greenhouse gas emissions in the building sector. The canton's long-term climate strategy envisages a reduction in emissions in the building sector of 65 percent by 2030 and 95 percent by 2040 compared to 1990.⁵ For a building stock with lower CO₂ emissions, the fossil fuels oil and natural gas must be replaced by renewable energy sources and waste heat. In principle, it should be possible to completely cover the heat demand from local energy sources in the future. However, since renewable ener-

gy sources are also limited, the efficiency of building shells must be increased in order to keep the heat demand as low as possible. With the amendment of the cantonal energy law in 2022, the replacement of oil and gas heating systems at the end of their service life with environmentally friendly heating solutions will be actively pursued.

Advisory skills

In personal advisory consultations, Zürcher Kantonalbank's client advisors discuss the long-term building strategy with our clients. We show property owners who own an older property with renovation potential the advantages of an energy-efficient renovation. We discuss upcoming or planned renovation work with them, and using the help of digital aids show the estimated investment dates and amounts for individual parts of the building. To raise awareness of the issue of sustainable renovation among property owners, we also provide information and tips on environmentally friendly construction and modernisation at zkb.ch/umweltdarlehen for information and tips on environmentally friendly building and modernisation.

⁴ Source: Federal Office for the Environment (FOEN)

⁵ Source: Canton of Zurich



Cooperation as the key

In order to provide our clients with the best possible advice in the building sector, we supplement our financial expertise with dedicated know-how from external specialists as needed.

Zürcher Kantonalbank has been a Minergie® member since the association was founded in 1998, and has also been an industry-exclusive Leading Partner since 2006. Within the framework of the ZKB Environmental Loan, ecological building projects such as Minergie-certified properties are financed at a reduced interest rate.

Since 2013, we have also been working successfully with EKZ and the Canton of Zurich's building department on the "starte!" programme, supporting homeowners in all aspects of energy-efficient building modernisation. This programme revolves around a public information event that has been held in around 90 communities since 2009. We put those who are interested in carrying out renovation work in touch with a local GEAK expert (cantonal building energy certificate) to have a GEAK Plus report drawn up. The experts analyse the property on site, uncover weak points and energy savings potential. The proposed investments are listed in such a way that

costs and benefits are transparent and the measures can be sensibly broken down into stages. This gives our clients an objective basis for decision-making and means that they already know the expected energy cost savings before the renovation work can be carried out. The expenses for the advisory report are covered by the bank when a ZKB Environmental Loan is taken out, as are the Minergie or 2000-watt site certification costs (see chart).

We launched an offer for heating replacement consultations in 2020. Working in collaboration with the EKZ and the cities of Zurich and Winterthur, we offer our clients free and independent heating replacement advice for their single-family or multi-family home in the Canton of Zurich. Since it was launched, more than 1,750 clients have already benefited from this offer. The impact this has had is shown by the fact that around 40% of the clients surveyed who took advantage of EKZ's heating replacement advice switched to a modern heating system within two years.

Energy-efficient renovation approach



Our commitments

What we do as a bank, we do on behalf of the canton for the benefit of the people of Zurich. The people of Zurich benefit from the financial success of Zürcher Kantonalbank in a number of ways. We provide support by distributing profits to the canton and the municipalities, as well as through our involvement in partnerships and memberships and more than 400 sponsorship commitments.

CHF 491 million

Zürcher Kantonalbank's distribution for financial year 2022 to the canton and municipalities

Culture

Our commitment helped the institutions we supported to get through the pandemic financially. This should not obscure the fact that the cultural sector is still suffering from the strong after-effects of the pandemic and the changed habits of the public. According to a survey conducted by the Federal Office of Culture in autumn 2022, only two-thirds of the population are willing to resume cultural visits without hesitation. A return to pre-pandemic levels of attendance cannot be expected; those involved in culture are forced to reinvent themselves.

Zurich Zoo

Insects make an invaluable contribution to the world. They are of great importance for the food chain, especially for birds. However, agriculture and the growth of settlements place a heavy burden on them. The Musikkollegium Winterthur and Zürcher Kantonalbank set an example in the summer with the small concert series "Das grosse Zirpen" (The Great Chirping). In the middle of Zurich Zoo, overlooking the Lewa Savanna, Gregor A. Mayrhofer's "Insect Concerto" was performed, conducted by the composer. The concert was rounded off with the "Cricket Symphony", "The Dragonfly" as well as other works with an insect theme.

Alzheimer Zurich

The association has launched the "Culture Club" to continue to provide people with dementia and their relatives with access to cultural and nature experiences. After regular zoo tours were successfully established, the programme was expanded through the help of Zürcher Kantonalbank with numerous offers from other sponsoring partners: from dress rehearsals at the Zurich Chamber Orchestra to guided tours of the Zurich Wilderness Park.

Zurich Job Fair

Young people who are about to choose a career get real and practical insights into over 240 apprenticeships and training courses at the Zurich Job Fair. Short lectures and guided tours as well as numerous offers related to the application process provide young people and their parents with in-depth information. As part of our commitment as exhibitor and main sponsor of the Zurich job fair, we have contributed to strengthening the dual education system in the Canton of Zurich since 2005, and assume responsibility towards SMEs and young people.

ZKB ZürilauF Cup

Switzerland's oldest running series was launched in 1986 by Zürcher Kantonalbank. The series consists of 12 runs throughout the canton held from January to October. Various distances and categories are offered for each race, whether it's the free Kids Run for the little ones, the children's and youth categories, the short Run for fun and Walking events as well as the main runs of between 10 and 21 kilometres. With this commitment, we make it possible for the people of Zurich to take part in running events throughout the year, sustainably promote the health of the general public and advocate for people to do more exercise and more sport.

PHÄNOMENA

Sustainability, innovation, digitalisation, mobility: an in-depth knowledge is essential in order to be able to identify the most pressing issues of our time. The PHÄNOMENA exhibition, which will open its doors in Dietikon for at least 180 days from April 2024, aims to make complex interrelationships comprehensible and tangible for the general public. This makes it a perfect match for the commitment shown by Zürcher Kantonalbank. The PHÄNOMENA was already a success story back in the 1980s, with well over five million visitors.

The event is designed as a net zero event. The energy required is either obtained from renewable sources or generated on site. Waste is recycled at the exhibition site and all materials are designed to be reused. The sponsor of the PHÄNOMENA is the association Zurich Forum. This is supported by an important committee of patrons, Swiss universities, various professional associations and a group of recognised experts. Zürcher Kantonalbank is one of the main sponsors.

An attractive employer

We treat our employees responsibly. Our culture is characterised by respect and fairness. We support our employees regardless of their age, gender, sexual orientation, nationality, religion and physical condition. A total of 5,790 people were employed by Zürcher Kantonalbank (parent company) at the end of 2022 (5,037 FTEs). With 409 apprenticeships, we are one of the largest providers of vocational training in the Canton of Zurich.

Leadership and development

Our view of leadership is centred around ongoing dialogue with employees. We promote their personal development opportunities and give them the creative freedom they need to respond flexibly to challenges. Instead of assessing our employees based on rigid annual targets, we look at their personal contribution to the corporate strategy. This promotes critical thinking and continuous development. Each employee received an average of 16 hours of further training in 2022.

Work-life balance

We want our employees to be able to strike a healthy balance between their professional commitments and their personal lives. To help them do that, we offer flexible working models and financial support for crèche care. 77 percent of women remain employed by us two years after pregnancy. A total of 120 employees are committed to serving as a link between the bank and the public through their mandates in political offices. The bank supports these charitable activities, for example with days of absence equivalent to one working month without a reduction in holiday entitlement. We have also seen a slight increase in the number of part-time employees working in middle and senior management. The proportion of women in management positions has also increased.

Part-time working models




16 %




53 %

Women in management positions



38 %

Women make
up 17 percent
of senior
management.

Apprentice- ships



409

Gender-independent compensation policy

Our salaries are based on gender-independent job descriptions. Every two years, we have equal pay audits performed by an external partner, and we make adjustments where needed. Our audit result for 2022 is below the tolerance threshold specified by the Federal Office for Gender Equality.

Sustainable banking operations

We promote sustainability in our operations and embrace it as part of our corporate culture. We use targeted measures to promote sustainability in social and ecological spheres.

Environmental management system

We are committed to protecting the environment, complying with any relevant requirements and continuously improving our environmental performance. Our environmental management system is aimed at ensuring sustainability – both in our banking operations and in the running of our properties, in upstream procurement from suppliers, and with respect to the downstream impact of our products and services. Our environmental management system is ISO 14001 certified. In doing so, we aim to continuously improve our use of resources and ensure sustainability in our banking operations.

Focus on regional procurement

Zürcher Kantonalbank takes sustainability concerns into consideration when procuring products and services for its own operations. Likewise, the bank expects its suppliers to comply with ecological and social standards. For this purpose, we place an emphasis on a

regional value chain. More than 50 percent of our suppliers are from the Canton of Zurich.

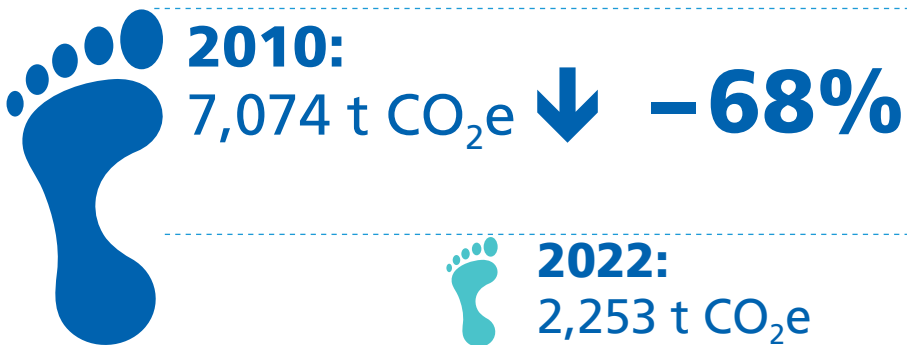
Biodiversity on site

We have been designing our locations' surroundings to be close to nature since 2020. We aim for our own commercial buildings to be built using sustainable construction methods. Working together with local partners and using home-grown materials, we create pesticide-free meadows of flowers for wild bees to help preserve and increase biodiversity.



Operational environmental programme

Our operational environmental programme defines the environmental goals for our operational ecology. The environmental programme aims to ensure a continuous reduction of CO₂e emissions and improve the bank's environmental performance. This programme has enabled us to shrink our CO₂e footprint by 68 percent since 2010 to 2,253 tonnes of CO₂. With our new corporate environmental programme, we are aiming to achieve net zero by 2030. We offset 100 percent of unavoidable CO₂e emissions, and are increasingly using negative emission technologies (NET), for example vegetable coal.



For over 150 years, Zürcher Kantonalbank has been a reliable partner to the canton, the people of Zurich and Zurich's economy. Going forward, actions and activities that are geared toward sustainability will continue to be among the bank's inviolable core values.

Further information

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December 2022

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