

Sustainability policy

July 2023

I General

The sustainability policy formulates requirements for Zürcher Kantonalbank's business activities. We observe the sustainability principles during the course of our business activities both in Switzerland and abroad.

Our understanding of sustainability

Our understanding of sustainability involves harmonising successful business activity with responsibility for the environment and society on a long-term basis.

Stakeholder groups

Our key stakeholders include clients, employees, owner (the Canton of Zurich), suppliers and partners as well as the general public.

Roles

We recognise the key role of the financial sector in the efforts to achieve global sustainable development and the transformation towards greenhouse gas neutrality by 2050. We consider ourselves as a service provider for society and the economy, especially in the Greater Zurich Area. We promote the long-term and sustainability-oriented success, competitiveness and innovation capacity of companies and public-sector entities (municipalities and cantons) across the entire business cycle.

Sustainability ambition

Zürcher Kantonalbank is guided by the United Nations Sustainable Development Goals (SDGs), the Paris Agreement and the plan to achieve greenhouse gas neutrality by 2050. Scientific principles form the basis of what we do. We develop products and services which have a positive impact on sustainability and help our clients move towards a more sustainable future. Zürcher Kantonalbank focuses on areas with significant potential for impact.

We integrate risks and opportunities from the dimensions of environmental, social and good governance (ESG) into our business activities. We also define exclusion criteria.

As part of the approval process for products and services or during their review, where relevant we assess and transparently report on their contribution to sustainable development and achieving greenhouse gas neutrality by 2050. We define processes and responsible committees when dealing with specific businesses.

Understanding of transparency

We set ourselves measurable goals, and transparently report on the measures taken and the achievement of these goals based on the reporting guidelines of the Global Reporting Initiative (GRI). In this context, transparency is a central and overarching core principle.

Our business and our commitment

Based on our statutory public service mandate (Law on Cantonal Bank), we respect the principles of sustainability and the recognised rules of risk management in our business activities.

We integrate the principles of sustainability across our entire business activities at Group level, in the investment and pension business, financing business, deposit business and monetary transactions, in our own financial investments and operations as well as in procurement and engagement.

Our investment and pension business

Our investment business is guided by the United Nations' six Principles for Responsible Investment (UN PRI), which we report on each year. We systematically integrate ESG

risks and opportunities into investment solutions, and when it comes to direct investments in our self-managed funds we focus on dialogue with the companies in which we are invested with a view to achieving the SDGs as well as greenhouse gas neutrality by 2050.

Our Asset Management engages in direct dialogue with the companies in which we are invested, and is actively involved through the UN PRI Collaboration Platform and investor initiatives. We exercise our voting rights based on Swiss and international corporate governance rules and the United Nations Principles for Responsible Investment (UN PRI), and in the interest of the companies' long-term, sustainability-oriented success. We publish this voting policy and voting behaviour transparently.

In standardised wealth management, dialogue with the companies in which we are invested, participation in investor initiatives and the exercise of voting rights take place indirectly through the choice of external asset managers.

We systematically ask our clients about their sustainability preferences in standardised wealth management and when providing investment advice. We provide our clients with comprehensive and transparent information about the ESG criteria of investment solutions.

[Our financing business](#)

In our financing business, we are guided in particular by the objectives of the federal government and the Canton of Zurich with a view to Agenda 2030 and achieving greenhouse gas neutrality by 2050.

We actively support sustainable development through our financing business, and minimise sustainability risks. The ESG risks and opportunities of borrowers are considered in the credit assessment and monitoring process. We raise the consideration of ESG risks and opportunities with our clients and promote sustainable and forward-looking business models. Our continuity-focused lending policy makes us a reliable financial partner for companies with sound future prospects, even in challenging times.

We promote small and medium-sized enterprises and entrepreneurs in start-up, development, expansion and acquisition financing and the financing of projects with sustainable technologies.

We also participate in ventures with innovative products, services and distribution models in the early stages of the company life cycle.

[Our sustainability in operations](#)

Zürcher Kantonalbank is committed to continuously improving its performance for the environment and, as far as possible and appropriate, beyond legal requirements.

We use an environmental management system based on international standard ISO 14001.

[Our procurement process](#)

Within the scope of our procurement, we give preference to national suppliers and partners. All our suppliers undertake to respect recognised environmental and social standards in accordance with our terms and conditions of purchase. In our procurement, we aim to ensure that products are as efficient as possible in their use of resources and environmentally and socially responsible in respect of their production, use and disposal. Additional requirements are in place with regard to particularly sensitive products.

[Our commitment](#)

In accordance with our statutory public service mandate, we are committed to the environment, society and the economy in the Greater Zurich Area. With more than 400 sponsoring commitments, we take part in the regional development and community life of the Canton of Zurich. Our commitment benefits our clients and the population of the Canton of Zurich in particular. Within the scope of this sponsoring/corporate citizenship commitment we pursue the integral approach of sustainability. In doing so, we protect natural resources while strengthening social cohesion and the competitiveness of Zurich as a business location.

II Specifics related to the ESG dimensions

Below, we show the targeted sustainability impacts in detail per business area for each ESG dimension (E: Environment, S: Social affairs and society, G: Corporate Governance).

1. Environment

1.1 Climate and energy

1.1.1 Group

We strive to minimise climate risks across our entire business operations and to create transparency in this regard. In doing so, we follow the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD).

Our climate ambition is oriented towards the goals of the Paris Agreement and achieving greenhouse gas neutrality by 2050. By promoting energy efficiency and substituting fossil fuels/non-renewable energy sources for renewable energies, we contribute to mitigating the impact of climate change.

1.1.2 Investment and pension business

In our active asset management investment solutions with traditional investments and direct real estate investments we take CO₂e emissions at portfolio level into account and are guided by the Paris Agreement, with the result being that the CO₂e intensity of portfolios will be reduced by at least four per cent per year as standard with a quantitatively binding reduction path (base year 2019). At the same time, we engage in direct dialogue with the invested companies with a view to achieving greenhouse gas neutrality by 2050.

1.1.3 Financing business

In the financing business, we specifically promote sustainable development in the areas of energy, mobility and buildings.

Energy sector

When financing the energy sector, we demonstrate a commitment to further increasing the efficiency of facilities and the gradual shift to renewable energy sources.

Mobility

We advocate sustainable mobility concepts and support innovative projects. Biofuels are only supported if they are produced from agricultural and forestry by-products and

organic waste, and provided that they do not compete with food production.

Buildings

We create incentives for our clients to build, modernise and manage their properties and infrastructure in the most environmentally friendly and energy-efficient way possible, and are constantly expanding our range of products and services in this area. We provide our clients with attractive solutions for energy-efficient renovations and new buildings.

We support our clients in issuing green bonds.

We issue green bonds ourselves to refinance environmental loans and to refinance projects with energy objectives in the office buildings used by Zürcher Kantonalbank itself.

We explicitly exclude the following direct forms of financing:

Fossil fuels

- Coal mining, oil and gas extraction: As a bank which is strongly rooted in its local area, we have never financed the mining of coal and the extraction of oil or natural gas and, accordingly, are not involved in controversial oil and gas extraction processes (e.g. Antarctic/Arctic drilling, fracking, offshore oil projects, deep-sea drilling or projects related to the exploitation of oil-bearing tar sands).
- Fossil fuel power plants: We do not finance power plants fuelled by coal or oil.
- Commodity trading: We explicitly exclude coal used for electricity production (thermal coal) as well as crude and heavy oil.

Nuclear power

New financing for the development and construction of nuclear power plants as well as their modernisation, where it is not for the purpose of maintaining safety levels, and entities whose predominant business activity is the production, trade and marketing of nuclear energy and/or the reprocessing of nuclear fuel and uranium enrichment plants are excluded. The financing of uranium mining is also excluded.

1.1.4 Operations

Our corporate environmental programme includes targets we set ourselves to reduce CO₂e emissions in our own operations. We offset 100 per cent of unavoidable

remaining CO₂e emissions, preferably nationally with projects in the Greater Zurich Area.

1.1.5 Commitment

We promote renewable energy, energy efficiency and sustainable mobility through specific sponsoring commitments.

We use the redistribution of the CO₂ levy to fund sustainable projects in the Canton of Zurich.

1.2 Commodities (industrial metals, precious metals, agricultural commodities)

1.2.1 Group

We are committed to transparent environmental and social standards throughout the commodities lifecycle and to the gradual closure of raw material cycles. We also are involved in cooperations in the area of fair trade. Furthermore, we are committed to the traceability of raw materials in order to safeguard the integrity of the value chain.

1.2.2 Investment and pension business

We do not provide investment solutions which invest only in individual agricultural commodities (wheat, corn, soy and rice). Likewise, our asset management does not manage any active commodity funds.

1.2.3 Financing business/international commodities trade financing

For our commodities trading clients, we systematically review sector-specific ESG risks and opportunities during the onboarding process as part of our due diligence as well as on an annual basis based on reported data or data collected through our own questionnaires. Within our client relationships, we raise environmental and human rights issues based on the relevant, internationally recognised industry standards with the aim of achieving continuous improvement.

In each transaction, the parties, goods and projects involved are subjected to a standardised review process.

We explicitly exclude bitumen/asphalt, asbestos, uranium, precious woods, live goods, diamonds, rare earth metals, perishable goods and non-certified palm oil.

1.3 Land

1.3.1 Group

We demonstrate a commitment to environmentally responsible land use and a transparent way of dealing with contaminated real estate.

1.3.2 Financing business

During the credit assessment process, we also take into account pollution in the subsoil (contaminated sites) and building fabric.

We support our clients in implementing relevant environmental regulations.

1.4 Biodiversity (biological diversity)

1.4.1 Group

We contribute towards preserving different lifeforms (species of animals, plants, fungi and bacteria), habitat diversity (ecosystems such as forests or water bodies) and genetic diversity within species (e.g. sub-species, varieties and breeds).

1.4.2 Financing business

We typically do not finance the following:

- Non-certified agriculture and forestry abroad which results in tropical deforestation and/or damage to high conservation value areas¹
- Mining projects with particularly destructive mining methods, such as mountaintop removal
- Unlawful and deliberate water/groundwater pollution
- Adverse impacts on areas of high conservation value abroad, namely primeval forests (illegal slash-and-burn and/or deforestation), endangered animal and plant species, wetlands and biotopes, cultural assets and world heritage sites

1.4.3 Operations

We promote regional biodiversity at our own sites.

¹ Based on the high conservation value areas (HCVA) of the www.hcvnetwork.org

1.4.4 Commitment

We are committed to nature in the Canton of Zurich through the renaturation and preservation of natural areas, thus helping the local population to experience nature in a variety of ways in nature parks or when hiking. We also support nature and environmental education programmes in the region.

2. Social affairs and society

2.1 Human rights and equal opportunities

2.1.1 Group

Within our sphere of influence we respect and support measures to uphold internationally applicable human rights as set out by the United Nations, including the right to life, liberty, security, fair working conditions, equality of opportunity as well as the rights of children. Within the context of financing and investment decisions, human rights issues form a key part of our reputational risk assessment for companies operating globally.

In our dealings with clients and staff as well as at public functions, we demonstrate a commitment to equal human rights irrespective of origin, race, gender, age, language, social status, income, religion, political conviction and physical or mental disability.

2.1.2 Investment and pension business

In our active and passive investment solutions in asset management and our active investment solutions in standardised wealth management, we avoid investing in arms companies that produce weapons which are prohibited under international treaties and/or violate Swiss sanction regulations. These include producers of cluster bombs and cluster munitions, anti-personnel and land mines, biological and chemical weapons, nuclear weapons, enriched uranium as well as blinding laser weapons and incendiary weapons. The same applies to the issuance of structured products. With respect to the active investment solutions of traditional asset classes, our asset management and standardised wealth management teams avoid arms and ammunition manufacturers and manufacturers of war technology.

2.1.3 Financing business

We do not provide financing to clients whose business activities are in the following areas:

- Gambling abroad and unlicensed gambling in Switzerland
- Violation of the rights of indigenous people
- Child labour and forced labour in violation of United Nations human rights

We do not finance the following:

- Foreign companies whose business focuses on the defence industry
- Production and trade in controversial weapons such as cluster bombs and cluster munitions, anti-personnel and land mines, biological and chemical weapons, nuclear weapons, enriched uranium as well as blinding laser weapons and incendiary weapons

2.1.4 Operations

We offer our staff attractive and fair conditions of employment which enhances their personal integrity and security. Our salaries are based on gender-independent job descriptions. Every two years we have equal pay audits performed by an external partner, and make adjustments where necessary.

Part of our human resources strategy includes promoting diversity in the employee portfolio. We attach great importance to the equal treatment of all persons and creating framework conditions to strengthen our staff's gender mix, including in management positions. We support employees in reconciling their professional commitments with their life plans and the respective stages in their lives. This is why we promote flexible working time models, leadership and part-time working as well as co-leadership.

Procurement

All our suppliers undertake to respect human rights based on our purchasing conditions.

Additional requirements are in place with regard to the purchasing of particularly sensitive products.

2.2 Our commitments in the area of social affairs and society

We are involved in a wide range of activities in the areas of nature, youth, culture, sport, social activities and entrepreneurship through over 400 partnerships, memberships and sponsorships.

Through specific sponsoring commitments, we promote women in their professional life and leadership positions as well as encouraging a healthy work-life balance.

Education and non-profit commitment

We contribute to the enhancement of education and the availability of knowledge and information, especially with regard to specialist banking issues.

- We support Zurich as a centre for research and education as well as those undergoing training via specific investments and banking services.
- We promote access to a diverse cultural offering for the people of Zurich.
- We create attractive conditions for our employees to get involved in various activities, such as politics, public authorities, church, culture, educational institutions, trade associations and clubs etc, so that they can use their banking expertise for the common good.
- We invest in the training and continuous professional development of our staff, and offer attractive and varied apprenticeships with prospects for the future.

Health

We contribute to improving the health of people in our environment and therefore to enhancing their quality of life.

- We are committed to promoting health, sport and exercise for all age groups, especially children and young people as well as retirees.
- We promote the health of our employees through a wide range of offers.

Financial security

In our dealings with clients we demonstrate a commitment to handling their financial resources responsibly.

- With our savings, investment and pension products we contribute to the long-term financial security and independence of our clients.
- We tackle the problem of personal debt – especially among young people – via awareness-raising measures and effective technical precautions.

3. Corporate governance

Principles of corporate governance

Group

The principles of corporate governance

ensure that the interests of the various stakeholders are taken into account in a balanced manner across all management bodies of a company. We ensure our corporate governance by means of suitable organisation, in which tasks, competencies and responsibilities are clearly assigned, effective and coordinated.

The Canton of Zurich is the owner of Zürcher Kantonalbank (parliamentary bank). The Act governing Zürcher Kantonalbank includes the ownership strategy. Sustainability is an integral part of Zürcher Kantonalbank's public service mandate. The guidelines stipulate that the corporate bodies must be assisted in fulfilling this mandate by a specialist committee consisting of representatives from all business units and chaired by the specialist office for the public service mandate. This specialist committee, i.e. the steering committee for the public service mandate, advises and supports the corporate bodies on all matters relating to the public service mandate.

Investment and financing business

We use minimum standards regarding corporate governance as a criterion for decision-making in the investment and financing process.

Tax compliance

We expect all our clients to be tax compliant with regard to the assets held at the Bank. Therefore, we don't accept untaxed funds. We expect our clients to resolve any legacy issues relating to tax and will support them in the process.

Combating money laundering, corruption and terrorist financing

We actively contribute to upholding the integrity of the financial system and ensuring the integrity of our business by consistently and responsibly fulfilling our obligations in the fight against money laundering, corruption and terrorist financing.

To combat money laundering, corruption and the financing of terrorism, we apply stringent procedures which are established internally and aligned with national and international requirements.

Compliance with financial sanctions

We monitor compliance with national and international financial sanctions which Zürcher Kantonalbank is obliged to observe by means of an effective compliance management system.

The sustainability policy is reviewed on an annual basis and approved by the Executive Board.

Appendix – Overview of the underlying framework

a. Law on Cantonal Bank

The Act governing Zürcher Kantonalbank stipulates that Zürcher Kantonalbank conducts the business activities of a universal bank (Art. 7, “Business activities”), and fulfils a public service mandate comprising a provision, support and sustainability mandate (Art. 2, “Purpose”). The business area of Zürcher Kantonalbank primarily encompasses the Greater Zurich Area. Dealings in other parts of Switzerland and abroad are permissible provided that the Bank is not exposed to any unreasonable risks as a result (Art. 8, “Business area”).

b. Guidelines with respect to the public service mandate

Sustainability is also explicitly established in the guidelines for fulfilling Zürcher Kantonalbank’s public service mandate:

Zürcher Kantonalbank shall fulfil its public service mandate on the basis of a business policy which is focused on longevity and continuity, geared to the market economy and with which an appropriate profit should be generated (Art. 2, “Definition”). In fulfilling the service mandate, as a universal bank Zürcher Kantonalbank shall observe the principles of sustainability and the recognised rules of risk management (Art. 4, “Framework conditions for the fulfilment of the public service mandate”).

c. Organisational regulations

Sustainability is established as an integral business principle in the organisational regulations of the Zürcher Kantonalbank Group (Art. 4 “Sustainability”).

d. Code of Conduct

Zürcher Kantonalbank is committed to running its operations in an ethically sound manner as set out in the Code of Conduct. This incorporates the relevant rules of conduct with regard to issues such as tax evasion, corruption and money laundering for employees’ day-to-day actions.

e. Group mission statement

The Group mission statement describes the identity of Zürcher Kantonalbank. It encompasses the vision, roots, overriding objectives, central values and the fundamental standards of conduct.

f. Group strategy

The public service mandate is integrated in the strategic principles within the Group strategy as follows:

We are guided by our public service mandate, which includes the dimensions of service, support and sustainability. With respect to the fulfilment of that mandate, we observe the principles of sustainability and the recognised rules of risk management.

Our understanding of sustainability involves harmonising successful business activity with responsibility for the environment and society on a long-term basis. In doing so we set ourselves the following ambition, and are guided by the 17 Sustainable Development Goals (SDGs) of the United Nations:

- 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

An additional strategic goal is to fulfil and further develop the public service mandate. This goal is assessed within the Balanced Scorecard.