

Report with reference to the GRI Standards

Financial year 2022

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1 Introduction

This report provides information on Zürcher Kantonalbank's sustainability commitment in financial year 2022 with reference to the applicable Global Reporting Initiative (GRI) standards. It includes information on universal and topic-specific standards as well as additional information for the financial services industry. All references in the report are posted online at www.zkb.ch.

2 General information

2.1 Details about the organisation

GRI 2-1: Organisational profile

[Zürcher Kantonalbank](#) is an independent public-law institution of the Canton of Zurich, and is fully owned by the Canton of Zurich.

The interests and strategy of the owner are expressed in the Law on Zürcher Kantonalbank.

As an institution under public law, we have a special obligation to the Canton of Zurich, its residents and to the Cantonal Parliament, which exercises ultimate supervision over the bank.

The branches and ATMs are located in Switzerland. The head office is located at Bahnhofstrasse 9 in 8001 Zurich.

The Corporate Centre consists of 3 locations. Zürcher Kantonalbank has the densest network of branches and ATMs in the Canton of Zurich, with 52 branches and contact centres and 286 ATMs.

GRI 2-2: Entities included in the organisation's sustainability reporting

An overview of the group structure can be found in the Annual Report starting on page 4. This report refers to the parent company of Zürcher Kantonalbank. It excludes Swisscanto Holding AG and its subsidiaries, Zürcher Kantonalbank Finance (Guernsey) Ltd., Zürcher Kantonalbank Österreich AG, the Representative Offices and ZKB Securities (UK) Ltd.

GRI 2-3: Reporting period, reporting frequency and contact point

The report covers the financial year from 1.1.2022 to 31.12.2022.

The last report with reference to the GRI standards was published in April 2022. This report is published in April 2023.

If you have any questions regarding the report, please contact: Public Service Mandate Unit, (+41 44 292 61 13) sustainability@zkb.ch.

This report reflects the GRI Content Index.

GRI 2-4: Correction or restatement of information

Since the 2022 financial year, reference is made to the GRI Standard 2021.

GRI 2-5: External audit

The report has not been externally audited.

2.2 Activities and employees

GRI 2-6: Activities, value chain and other business relationships

Zürcher Kantonalbank has positioned itself as a universal bank with a regional base as well as a national and international network. In line with its public service mandate, it provides the people and companies with financial services, helps the Canton of Zurich carry out its economic, social and ecological tasks, and observes the principles of sustainability in its business activities both at home and abroad.

We are the bank that's "close to you": "We support, advise and offer solutions. Always. Everywhere. Throughout your life." Our clients enjoy a wide range of products and services. Our core businesses include payment transactions, the deposit business, financing, the investment and pension business, as well as the trading and capital market business.

Markets served: Zürcher Kantonalbank is a leader in its home market, the Greater Zurich Area. It also offers selected services throughout Switzerland and abroad. Its client segments include retail (private clients, high net worth individuals and private banking), SME (commercial clients, business clients and corporate clients) and other specialised segments (large corporations, pension funds, financial institutions, key clients, external asset managers, private clients abroad). Our clients operate in a wide variety of industries.

Supply chain: Zürcher Kantonalbank's purchasing volume of around CHF 398 million breaks down as follows: 53 percent for information technology, 33 percent for services, marketing products and consumables for the entire bank, and 14 percent for construction and real estate. When purchasing goods and services, the bank promotes added value in the region: For example, suppliers in the Canton of Zurich accounted for over 50 percent of the purchasing volume in 2022. It also values making the supply chain as sustainable as possible: Products should be environmentally and socially responsible wherever possible in terms of production, use and disposal. Four branches were closed in Urdorf, Rümlang, Winterthur-Seen and Seuzach during the year under review. Zürcher Kantonalbank made this move in response to the changed behaviour of its clients, who increasingly want services that are available anywhere and at any time and whose visits to the counters have become increasingly infrequent. All affected employees have received internal job offers from the bank.

[GRI 2-7: Employees](#)

5,790 people work at Zürcher Kantonalbank in more than 5,037 full-time positions. With 409 apprenticeships, the bank is one of the largest providers of vocational training in the Canton of Zurich. The rate of men working part-time is

16 percent and that of women 53 percent. Overall, the part-time rate is 30 percent. Almost all employees work in the Greater Zurich Area.

The information on employees is collected by the human resources department, and is valid as of the reporting date 31.12.2022. There are no significant fluctuations in the figures compared with previous years, nor is a significant proportion of business activities carried out by employees without an employment relationship. Further key figures can be found in the Annual Report starting on page 96.

[GRI 2-8: Staff members who are not employees](#)

The term "external employees" includes persons who work for Zürcher Kantonalbank within the framework of a personnel leasing arrangement (relevant legal provisions in accordance with the Federal Act on Employment Services and the Hiring of Services, AVG, and the Ordinance on Employment Services and the Hiring of Services, AVV) or, for example, a contractual relationship (Art. 394 ff. OR) and who do not have an employment contract (Art. 319 ff. OR) with Zürcher Kantonalbank.

2.3 Governance

[GRI 2-9: Governance structure and composition](#)

Zürcher Kantonalbank holds a licence from the Swiss Financial Market Supervisory Authority (FINMA) under the Swiss Federal Law on Banks and Savings Banks (Banking Act) to conduct business as a bank in Switzerland. Its business activities are subject to the oversight of the Financial Market Supervisory Authority FINMA.

Responsibility for the ultimate supervision of Zürcher Kantonalbank lies with the Cantonal Parliament of Zurich. The Cantonal Parliament has tasked the Committee for the Supervision of Commercial Undertakings (AWU) with ultimate political supervision.

Please also refer to the [Law on Zürcher Kantonalbank](#).

The Board of Directors bears ultimate responsibility for the management of the bank and the supervision of its corporate governance. The Committee of the Board consists of three full-time members, who are also members of the Board of Directors. The Committee of the Board is responsible for the direct supervision of the management. The Board of Directors Committees (Audit Committee, Risk Committee, Compensation and Personnel Committee and IT Committee) support the Board of Directors in their decision-making by providing preliminary advice. The Audit unit and the external auditors are responsible for the bank's internal and external audits, respectively. The corporate governance of Zürcher Kantonalbank is the responsibility of the Executive Board, which is headed up by the Chief Executive Officer (CEO).

The Board of Directors, the Committee of the Board and the Executive Board ensure the fulfilment of the public service mandate, which encompasses economic, environmental and social dimensions. The Committee of the Board has a special control and monitoring function. The Public Service Mandate Steering Committee, which is composed of representatives from all business units, advises and supports the management bodies in all matters relating to the public service mandate. Among other things, it prepares the reports on the fulfilment of the public service mandate, which the Board of Directors presents to the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU). The Public Service Mandate Steering Committee is chaired by the specialist responsible for the public service mandate. It also manages the Public Service Mandate unit, which coordinates the planning, implementation and reporting on the public service mandate and all related activities. Various specialist departments in the individual business units also support the fulfilment of the public service mandate. The [Guidelines on the Public Service Mandate](#) show the procedure for this.

For more information, please visit our website at [Corporate Governance](#).

[GRI 2-10: Nomination and selection of the highest governing body](#)

The election of the Board of Directors is recorded in the "Regulations on the Preparation of the Election of New Members of the Board of Directors and the Committee of the Board of Zürcher Kantonalbank". The Board of Directors and the Committee of the Board must have the qualifications, skills, experience and personal qualities necessary for the overall management, supervision and control of Zürcher Kantonalbank. Based on the requirements of the Swiss Financial Market Supervisory Authority (FINMA) and the Cantonal Bank Act of 28 September 1997, the Board of Directors shall draw up a profile of requirements for the Board of Directors and the Committee of the Board as a whole. It shall review this on a regular basis. The profile of requirements provides information on the desired qualifications, skills, experience and personal characteristics as well as the degree to which these levels are met. The profile of requirements serves as a basis for the Cantonal Parliament's search for suitable candidates. The nomination process includes a preliminary review by the parliamentary group giving the nomination, a review of the suitability of the candidates by a consulting firm, a review by FINMA, a statement by the Board of Directors and a nomination by the parliamentary group (FINMA-approved candidates only). The four-year term of office begins on 1 January following the start of the Cantonal Parliament's term of office and ends, subject to re-election, on 31 December of the fourth year of office.

[GRI 2-11: Chair of the highest governing body](#)

The Committee of the Board chairs the Board of Directors and does not sit on the Executive Board.

[GRI 2-12: Role of the highest governing body in overseeing the management of impacts](#)

The Board of Directors consists of 13 members. This number includes three members of the Committee of the Board. Detailed information on the Board of Directors and Committee of the Board can be found in the [Annual Report](#) starting on page 115.

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

The Cantonal Parliament of Zurich selects the members of the Board of Directors and the Committee of the Board for a four-year term of office. In doing so, it is guided by personality traits such as assertiveness, credibility and integrity, professional suitability, regulatory requirements and party proportionality. The professional criteria take into account economic, environmental and social aspects and are periodically reviewed by external specialists for each individual member of the Board of Directors. Further information on the nomination and selection process can be found in the [Annual Report](#) starting on page 115.

The Board of Directors defines the corporate policy, the mission statement, the business strategy and the organisational structure. Together with the Committee of the Board and the Executive Board, it also ensures that the bank's public service mandate is fulfilled. The Executive Board is responsible for implementing the targets and objectives on the operational side of the business. Further information on this can be found in the [Annual Report](#) starting on page 115.

The Board of Directors and in particular the Committee of the Board are responsible for addressing the public service mandate. In this context, they regularly examine the identification and management of economic, environmental and social impacts. They are in dialogue with the stakeholder groups regarding these areas.

Following a structured annual cycle, the Board of Directors analyses Zürcher Kantonalbank's strengths and weaknesses, opportunities and risks as well as the associated strategic risks. It approves the risk policy and the general framework for group-wide risk management. It is also regularly informed by the Executive Board of all relevant aspects of risk management. The Risk Committee of the Board of Directors provides support for the supervision of the bank's risk management.

Economic, environmental and social topics are reviewed at least annually.

[GRI 2-13: Delegation of responsibility for the management of impacts](#)

For information on the delegation of authority, please refer to GRI 2-9.

[GRI 2-14: Role of the highest governing body in sustainability reporting](#)

The Board of Directors reviews and approves the sustainability reports. It also ensures that the material sustainability topics are covered.

[GRI 2-15: Conflicts of interest](#)

If conflicts of interest are escalated, these are decided by the Committee of the Board. Further information on possible conflicts of interest can be found in the [Annual Report](#) starting on page 115.

[GRI 2-16: Communication of critical concerns](#)

Any relevant critical concerns are communicated to the Board of Directors upon receipt, either directly or indirectly via the appropriate offices. The nature and total number of critical concerns are not disclosed. The integrity and reputation of Zürcher Kantonalbank are among the bank's most important assets. Because of this, the bank relies on receiving reports of suspected misconduct within the organisation from employees or third parties – anonymously, if desired. For more information, please visit our website at [whistleblowing](#).

[GRI 2-17: Further training for the highest governing body](#)

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

[GRI 2-18: Evaluation of the highest governing body's performance](#)

Among other things, the Board of Directors reports annually to the AWU on the fulfilment of its public service mandate. The AWU may request further information from the Board of Directors regarding details of the report.

[GRI 2-19: Compensation policy](#)

Zürcher Kantonalbank's compensation policy is aligned with the bank's business strategy, objectives and values. It takes into account the long-term financial interests of the bank and supports solid and effective risk management. Additional information on this can be found in the [Annual Report](#) starting on page 138.

Insofar as possible for an institution under public law, it also relies on the SIX Swiss Exchange Directive on Information Relating to Corporate Governance of 18 June 2021 and the "Swiss Code of Best Practice for Corporate Governance" issued by economiesuisse on 29 February 2016.

[GRI 2-20: Process for determining compensation](#)

The Board of Directors adopts the [regulations](#) on the compensation of members of the Board of Directors (subject to the approval of the Cantonal Parliament) and the Personnel and Compensation Regulations of Zürcher Kantonalbank. The Compensation and Personnel Committee assists the Board of Directors in matters concerning the compensation policy. Further information on the process for determining compensation can be found in the [Annual Report](#) starting on page 138. The Board of Directors is responsible for aligning the interests of the Canton of Zurich with those of Zürcher Kantonalbank and its employees. The Cantonal Parliament of Zurich is responsible for approving the [regulation](#) governing the compensation of members of the Board of Directors.

[GRI 2-21: Annual total compensation ratio](#)

The compensation of the Board of Directors and the Executive Board is published in the Compensation Report as an integral part of the [Annual Report](#) starting on page 138. The annual total compensation ratio of the lowest and highest salary is not published.

2.4 Strategy, Regulations and Activities

[GRI 2-22: Application statement on the Sustainable Development Strategy](#)

Our group strategy describes what we as Zürcher Kantonalbank want to achieve. It defines our future business goals as well as the long-term market positions necessary to achieve them ([Group strategy of Zürcher Kantonalbank \(zkb.ch\)](#)).

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 and 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.

Sustainability forms part of our public service mandate, and its fulfilment is a strategic objective of Zürcher Kantonalbank. Our sustainability policy is based on the 17 Sustainable Development Goals adopted by the United Nations, as well as the Paris Climate Agreement and our goal of achieving greenhouse gas neutrality by 2050. Further information can be found in the [Annual Report](#) starting on page 31.

The interests and strategy of the owner are expressed in the [Cantonal Bank Act](#) on the Zürcher Kantonalbank. This regulates the legal form, purpose, capitalisation, state guarantee, business area, supervision, distribution of profit and the main principles of the organisation as well as the tasks and competences of the governing bodies.

GRI 2-23: Declaration of commitment to our principles and courses of action

Sustainability forms part of our public service mandate, and its fulfilment is a strategic objective of Zürcher Kantonalbank. Our sustainability policy is guided by the 17 Sustainable Development Goals adopted by the United Nations, as well as the Paris Climate Agreement and our goal of achieving greenhouse gas neutrality by 2050.

Further information can be found in the [Annual Report](#) starting on page 31.

To ensure the sustainable development of our financing business, we pursue a risk policy geared towards continuity and consider the assessment of environmental, social and governance risks to be an important part of the credit assessment process. Our lending policy and [Sustainability Policy](#) set out guidelines for responsible lending and define exclusion criteria.

In accordance with our sustainability policy, 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 and the rights of children. Within the scope of financing and investment decisions, human rights issues are a component of our reputational risk assessment for companies operating globally.

In dealings with our clients and staff and 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.

GRI 2-24: Inclusion of political commitments

The sustainability policy is approved by the Executive Board and therefore applies to all business activities. Information on significant economic, environmental and social impacts as well as risks and opportunities can be found in the [Annual Report](#) starting on page 31, and other comprehensive information can be found in our [Sustainability Policy](#).

We are guided by our values: we are inspiring (inspire, think ahead, show courage), responsible (be reliable, create value, be present) and passionate (engage, inspire, keep focused). Our code of conduct sets out the most important rules of conduct to be observed by all employees.

The integrity and reputation of Zürcher Kantonalbank are among the bank's most important assets. Because of this, the bank relies on receiving reports of suspected misconduct within the organisation from employees or third parties – anonymously, if desired. For more information, please visit our website at [whistleblowing](#).

GRI 2-25: Procedure for eliminating negative impacts

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

GRI 2-26: Procedure for seeking advice and reporting concerns

We are guided by our values: we are inspiring (inspire, think ahead, show courage), responsible (be reliable, create value, be present) and passionate (engage, inspire, keep focused). Our code of conduct sets out the most important rules of conduct to be observed by all employees.

The integrity and reputation of Zürcher Kantonalbank are among the bank's most important assets. Because of this, the bank relies on receiving reports of suspected misconduct within the organisation from employees or third parties – anonymously, if desired. For more information, please visit our website at [whistleblowing](#). Any relevant critical concerns are either directly or indirectly communicated to the Board of Directors via the appropriate offices.

GRI 2-27: Compliance with laws and regulations

No violations of laws or regulations were reported in the year under review.

GRI 2-28: Membership of associations and interest groups

Zürcher Kantonalbank supports the following external initiatives, associations and interest groups, among others: Carbon Disclosure Project, Climate Bond Initiative, Energy Model Zurich, Energy Saving Alliance of the Swiss Federal Office of Energy, European Sustainable Investment Forum, Forum Nachhaltige Geldanlagen, Montreal Carbon Pledge, öbu, UNEP Finance Initiative (UNEP FI), UN Principles for Responsible Investment (UN PRI), UN Principles for Responsible Banking (UN PRB), Net-Zero Banking Alliance (NZBA) and Partnership for Carbon Accounting Financials (PCAF), supporters of the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD), swisscleantech and Swiss Sustainable Finance. For more details on our memberships in associations, interest groups and initiatives, please go to <https://www.zkb.ch/en/home/our-company/sustainability.html> and <https://www.zkb.ch/en/home/our-company/sustainability.html>.

2.5 Stakeholders

GRI 2-29: Approach to stakeholder involvement

We engage in ongoing, open and transparent dialogue with our stakeholders. Examples of this with

- Clients: We create proximity to our clients on a daily basis by providing personal advice and support. We also conduct a client satisfaction survey every two years.
- Employees: We are in regular dialogue with our employees and conduct employee satisfaction surveys every two years. We are also in regular contact with the employee representatives.
- Owner (Canton of Zurich): We maintain personal contact with the Cantonal Parliament of Zurich – especially with the AWU – several times a year.
- Suppliers and partners: We hold discussions with suppliers and partners on a regular basis.
- General public: We maintain a constant dialogue with representatives of business, the environment and society, as well as the media and culture.

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

Zürcher Kantonalbank and its bank management engage in open and transparent dialogue with stakeholders. This dialogue takes place as part of a systematic exchange or in the event of ad hoc enquiries.

Stakeholders are identified and selected as part of the periodic validation of the [Sustainability Policy](#) by the Executive Board.

[GRI 2-30: Compensation agreements](#)

The Agreement on Conditions of Employment for Bank Staff (VAB) and the Agreement on the Recording of Working Time (VAZ) apply to all employees.

3 Material sustainability topics

[GRI 3-1: Process for determining the essential issues](#)

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 conducted through interviews with stakeholder representatives. The second assessment was conducted within the scope of workshops. Both assessments are mapped in the materiality matrix, which forms the basis for defining and setting boundaries for the material topics. The materiality matrix can be found in the Annual Report on page 40.

[GRI 3-2: List of material topics](#)

The following topics were identified as being relevant: responsible lending, sustainable investment and active ownership, responsible management, access to financial services, responsible sales practices, economic benefits.

3.1 Responsible lending

3.1.1 GRI 3-3: Management approach

[Explanation of the material topic and its delimitation](#)

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

[The management approach and its components](#)

To ensure the sustainable development of our financing business, we pursue a risk policy geared towards continuity and consider the assessment of environmental, social and governance risks to be an important part of the credit assessment process. Our lending policy and [Sustainability Policy](#) set out guidelines for responsible lending and define exclusion criteria in the lending business. We also promote sustainability in the financing business through selected products and services. With the ZKB Environmental Loan, for example, we grant an interest rate reduction for environmentally friendly building and renovation.

Zürcher Kantonalbank also provides its clients with extensive support to help them with environmentally friendly construction and renovation. This has for some time taken the form of environmental loans as well as free consultations for heating system replacements.

Since 2022, the environmental loan has been extended to farmers who take measures to improve climate and soil protection. This means that investment costs such as slurry tank ventilation, biogas plants, central CHP plants for wood combustion or pyrolysis facilities can be eligible for subsidised loans.

With the ZKB WohnPlus mortgage, we launched a new offer in 2022 for non-profit housing developers who provide special social services. While the ZKB Environmental Loan promotes environmental sustainability, the ZKB WohnPlus mortgage focuses on social aspects.

With the sustainability-linked loan, we offer financing solutions to our major corporate clients which are linked to sustainability criteria.

[Evaluation of the management approach](#)

The Board of Directors is responsible for ensuring that there is a suitable risk and control environment and arranges for an effective internal control system (ICS). The Board of Directors Committees and Audit help it assess the effectiveness of the risk management system and the ICS. Further information on the evaluation of the management approach can be found in section 2.4 and in the [Annual Report](#) starting on page 122. Among other things, the “ZKB Environmental Loan” promotes energy-efficient modernisation with an interest rate reduction of up to 0.8%. In addition, we pay the certification fees for GEAK Plus.

3.1.2 Thematic disclosures

Product portfolio

[Policies with specific environmental and social components applied to business areas](#)

Our lending policy and [Sustainability Policy](#) define economic, environmental and social guidelines for the business areas. The lending policy is not publicly available for competitive and business policy reasons. The sustainability-related exclusions are fully disclosed in the Sustainability Policy.

[Procedures for assessing and screening environmental and social risks in the business areas](#)

Among other things, our lending manual regulates the procedure for assessing and screening environmental and social risks (not publicly available for competitive and business policy reasons). For example, the aspect of environmental risks in lending is taken into account by means of a credit assessment procedure with in-depth analysis in specific cases and by means of specific exclusion criteria. In addition, environmental, social and governance (ESG) criteria are taken into consideration in credit ratings and individual transactions.

[Processes for monitoring clients’ implementation of and compliance with environmental and social requirements included in agreements or transaction documents](#)

The risk managers are responsible for ongoing and active risk management as well as for permanent compliance with requirements. In the event of any violations, Zürcher Kantonalbank will endeavour to find a constructive solution together with its clients.

[Process\(es\) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines](#)

Employees are regularly trained and informed about relevant issues.

[Interactions with clients/borrowers/business partners regarding environmental and social risks and opportunities](#)

For details, please refer to GRI 2-29.

[Percentage breakdown of the portfolio for business areas by specific region, size and industry](#)

Our focus is on the Greater Zurich Area. We do not plan either substantial expansion abroad or disproportionately risky business. One of our focal points is our commitment to SMEs.

[Monetary value of products and services designed to deliver a specific social benefit for each business area, broken down by purpose](#)

With the ZKB starter mortgage, first-time homebuyers benefit from a lower interest rate than the rate granted for normal ZKB fixed-rate mortgages. In 2022, ZKB starter mortgages came to a total of over CHF 7.3 billion. In addition, Zürcher Kantonalbank funded more than 40 start-ups in 2022. It supports innovative start-ups at an early phase of the business cycle by providing risk capital. The scale-up programme expanded the offering for start-ups even further. This offer is now also aimed at young companies looking to fund the growth phase that follows their

early (start-up) phase. That makes Zürcher Kantonalbank one of the most important providers of risk capital in Switzerland, with an annual investment volume of around CHF 20 million.

[Monetary value of products and services designed to deliver a specific environmental benefit in each business area, broken down by purpose](#)

Clients with ZKB Environmental Loans benefit from an interest rate reduction of up to 0.8 percent on their selected ZKB fixed-rate mortgage for up to five years. In 2022, the total volume of ZKB Environmental Loans taken out exceeded CHF 1.25 billion.

[Audit](#)

[Scope and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures](#)

Internal and external audits of the environmental management system are conducted annually. The environmental management system of Zürcher Kantonalbank is certified according to ISO 14001 and takes into account the implementation of environmental and social requirements. Reports on the results and any measures resulting from the audits are prepared for the attention of the Executive Board.

3.2 Sustainable investments and active ownership

[3.2.1 GRI 3-3: Management approach](#)

[Explanation of the material topic and its delimitation](#)

Sustainable investments and active ownership aim to promote sustainability in the investment business. The investment business is one of our core businesses. Since we have been committed to sustainability for some time now, we can build on many years of expertise. Zürcher Kantonalbank provides ZKB Discretionary Mandate, ZKB Investment Advice and ZKB fund portfolio as investment solutions ("standardised investment solutions"). The asset management arm at Zürcher Kantonalbank manages funds and customised mandate solutions (ZKB Discretionary Mandate Exclusive). We offer sustainable investment solutions for all areas.

[The management approach and its components](#)

With its [Sustainability Policy](#), Zürcher Kantonalbank promotes an investment offering that takes sustainability aspects into account. It is also committed to sustainable investments and active ownership as follows:

- Clients who choose ZKB Investment Advice or ZKB Discretionary Mandate (Classic/Premium/Expert) can select the "Sustainable ESG" variant. The foundation for all these investment solutions is our proven investment philosophy, with ESG criteria forming an integral part at all levels. The integration of ESG criteria into our investment process as a third dimension alongside risk and return enables us to take a holistic view of opportunities and risks when making our investment decisions and investment proposals as part of our advisory services. They are largely implemented in funds that pursue various sustainability approaches. In addition to the ESG rating, we consider CO₂e data in our investment decisions and proposals and assess companies' controversial business activities (thermal coal, weapons, etc.) or business practices (in the area of human rights, labour standards, environment, corruption, etc.). We also prefer asset managers who strive to reduce CO₂ emissions and who exert a direct influence on the sustainability and climate strategy of companies by means of active voting and constant dialogue. As an influential fund buyer, we remain in close contact with the asset managers we select regarding their sustainability efforts. For our investment solutions with the "Sustainable ESG" designation as mentioned above, we aim for an ESG target rating of AA based on data from the independent third-party provider MSCI ESG Research. We transparently disclose the ESG ratings per

position or per portfolio in our investment reporting. Various Swisscanto portfolio funds from the “Responsible” and “Sustainable” product lines are used in the ZKB fund portfolio.

- For clients with investment assets of more than CHF 5 million who confirm that they would like a portfolio which deviates from the standard strategy, there is the option of concluding an asset management mandate tailored to their individual wishes (ZKB Discretionary Mandate Exclusive). By default, mandates of the type “ZKB Discretionary Mandate Exclusive” are managed according to the Responsible approach (for details, see the Responsible product line of Swisscanto below). However, investors can also opt for a mandate in accordance with the Sustainable approach. In this case, the same sustainability criteria are applied as for Swisscanto’s Sustainable funds (see below).
- Zürcher Kantonalbank’s asset management arm integrates ESG criteria into the investment products of Swisscanto’s “Responsible” and “Sustainable” product lines (collective investment schemes and ZKB Discretionary Mandate Exclusive). Companies that do not comply with international conventions and/or Swiss law are also blacklisted and excluded from direct investments for all portfolios managed by Zürcher Kantonalbank’s asset management arm. This includes business areas such as the development, production, stockpiling and distribution of cluster munitions, anti-personnel mines and nuclear weapons.
- Voting rights for collective investment schemes of Swisscanto fund management companies (Switzerland and Luxembourg) managed by Zürcher Kantonalbank’s asset management arm are exercised based on Swiss and international corporate governance rules, generally accepted ESG best-practice standards and the United Nations Principles for Responsible Investment (UN PRI). For this purpose, we use the expertise of an independent voting rights advisor and our Zürcher Kantonalbank asset management arm. We maintain an ongoing dialogue with companies which hold a significant stake in the collective investment schemes, and play an active role in the PRI Collaboration Platform as well as investor initiatives. Within the scope of our engagement activities, companies for example are asked to formulate ambitious CO₂e reduction targets, to implement them consistently and to report on them transparently.
- In the case of collective investment schemes in the Responsible product line from Zürcher Kantonalbank’s asset management arm, and in addition to the blacklist, we exclude companies with business models that pose an ESG threat (such as companies associated with coal mining (sales > 5%), arms and munitions manufacturing, pornography production, UN Global Compact violations if applicable). In line with the Paris Agreement, the investment activities of the portfolios which are actively managed by Zürcher Kantonalbank’s asset management arm in traditional asset classes with a Responsible approach are by default geared to a reduction in CO₂e emissions of at least 4% per year.
- With the collective investment schemes of Swisscanto’s Sustainable product line, we go one step further. We strive to generate returns through social benefits by investing specifically in SDG Leaders, i.e. companies with a sustainable business model that make a significant contribution to fulfilling one of the 17 UN Sustainable Development Goals (UN SDGs). For the purpose of diversification, the collective investment schemes of Swisscanto’s Sustainable product line also include investments in securities that are assessed by the asset management arm as being above average in terms of the criteria for a sustainable economy. In addition, the application of comprehensive exclusion criteria is an integral part of the investment process for all sustainable investment solutions from Swisscanto.
- Since the start of 2021, a Sustainability Report has been available on our website for all equity, bond and mixed-asset funds of Swisscanto’s Responsible and Sustainable product lines. Alongside information on the CO₂e-intensity of the portfolio as well as any controversial business activities, this report includes a newly-developed proprietary sustainability rating from Zürcher Kantonalbank’s asset management arm. The rating is calculated based on the values of the collective assets and individual securities contained in the portfolio and is divided into seven sustainability classes from A (highest level) to G (lowest level). The sustainability rating assesses companies and countries on the basis of the four pillars of the sustainability research carried out by Zürcher Kantonalbank’s asset management arm: controversy score, ESG score, climate score and impact score.

- For our investment business we are 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 all investment solutions, and when making direct investments as part of our asset management strategy we focus on dialogue with the companies which we are invested in, with a view to achieving the SDGs and greenhouse gas neutrality by 2050.
- Our asset management arm has also signed various memberships, such as the Net Zero Asset Managers Initiative and the Montreal Carbon Pledge, as well as collaborative engagements such as the Taskforce on Nature-related Financial Disclosures (TNFD), Climate Action 100+ and the Access to Medicine Foundation. For more information, see also: <https://www.swisscanto.com/int/en.html>.

Evaluation of the management approach

An external, independent sustainability advisory board with a focus on investments provides Zürcher Kantonalbank with advice on the investment and pension business regarding the further development of the sustainability strategy and the respective sustainability approaches. Further information on the evaluation of the management approach can be found in section 2.3 and in the [Annual Report](#) starting on page 122.

3.2.2 Thematic disclosures

Product portfolio

Policies with specific environmental and social components applied to business areas

Our [Sustainability Policy](#) defines economic, environmental and social guidelines for the business areas.

Procedures for assessing and screening environmental and social risks in the business areas

Zürcher Kantonalbank systematically integrates ESG criteria into the management of standardised investment solutions as well as into the investment products of the “Responsible” and “Sustainable” product lines administered by Zürcher Kantonalbank’s asset management arm (collective investment schemes and ZKB Discretionary Mandate Exclusive). Furthermore, additional evaluation and testing procedures are applied – tiered according to the respective product line or application.

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

Employees are regularly trained and informed about relevant issues.

Interactions with clients/borrowers/business partners regarding environmental and social risks and opportunities

For information on this topic, please refer to GRI 2-29 and GRI 3-2 in section 3.2.1.

Percentage breakdown of the portfolio for business areas by specific region, size and industry

No percentage breakdown of the portfolio’s composition is calculated.

Monetary value of products and services designed to deliver a specific social benefit for each business area, broken down by purpose

The ZKB Investment Advice or ZKB Discretionary Mandate solutions with the “Sustainable ESG” designation, as well as the ZKB Discretionary Mandate Exclusive and collective investment schemes administered by Zürcher Kantonalbank’s asset management arm which are managed according to our Responsible or Sustainable approach, facilitate responsible investing in society and the environment. We managed around CHF 117.9 billion in sustainable investments as at the end of 2022.

Audit

Scope and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures

Sustainability issues are also taken into account in our internal audits where appropriate.

Active ownership approach

Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues

Our asset management arm engages in constant dialogue regarding ESG issues with around 250–300 of the companies represented in our investment portfolios and universes. In order to complement our global and thematic engagement activities, but most importantly to implement our climate strategy at a global level, we have mandated Sustainalytics as an external engagement partner. Sustainalytics conducts this dialogue with around 150-200 companies represented in our investment portfolios and universes.

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 takes place indirectly through the choice of external asset managers. In addition, talks are also held directly with the asset managers with the objective of increasing their sustainability efforts.

Percentage of assets with positive or negative results from environmental or social screening

As at the end of 2022, sustainable investments (CHF 117.9 billion) accounted for 29.5 percent of client assets under management at Zürcher Kantonalbank.

Guidelines on the exercise of voting rights regarding environmental or social issues with respect to shares for which the reporting organisation holds the right to vote or advises on voting

Regarding the collective investment schemes administered by our asset management arm, voting rights are exercised based on Swiss and international corporate governance rules as well as the United Nations Principles for Responsible Investment (UN PRI), and in the interests of the company's long-term success based on sustainable principles. The voting policies and guidelines of the fund management companies (Switzerland/Luxembourg), which are developed and regularly updated together with an independent and renowned voting advisor as well as our asset management arm, can be found at <https://www.swisscanto-fondsleitungen.com/de/investment-stewardship.html>. The voting records are published transparently after the respective annual general meetings at www.swisscanto.com/voting.

3.3 Responsible management

3.3.1 GRI 3-3: Management approach

Explanation of the material topic and its delimitation

Responsible management lays a foundation of trust for cooperation between Zürcher Kantonalbank and its stakeholders. Responsible management enables Zürcher Kantonalbank to make a direct contribution to the prevention of corruption, bribery, price-fixing, money laundering, anti-competitive behaviour, tax evasion and fraud, and promotes the sustainable handling of conflicts of interest, transparency regarding any payments to authorities or other parties, whistleblowing channels and protection for whistleblowers.

The management approach and its components

Zürcher Kantonalbank is committed to responsible business management in accordance with legal and regulatory provisions as well as with the recognised professional and ethical standards of the banking industry. Through this commitment, it makes an important contribution to sustainable development and to protecting the bank's reputation. Further information can be found in GRI 2-24 as well as in the [Annual Report](#) starting on Page 122.

Evaluation of the management approach

The Board of Directors is responsible for ensuring that there is a suitable risk and control environment and arranges for an effective internal control system (ICS). The Board of Directors Committees and Audit help it assess the effectiveness of the risk management system and the ICS. Further information on this can be found in the [Annual Report](#) starting on page 122.

3.3.2 Thematic disclosures

Anti-corruption

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

All three business premises and 52 branches are assessed for corruption risks. No corruption risks were identified during the assessment.

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

All 13 members of the Board of Directors and all 5,790 employees were trained on anti-corruption policies and procedures.

GRI 205-3: Confirmed incidents of corruption and actions taken

No confirmed incidents of corruption were reported during the year under review.

Anti-competitive behaviour

GRI 206-1: Legal actions for anti-competitive behaviour, anti-trust and monopoly practices

As reported in the press, the Swiss Competition Commission (WEKO) sent a questionnaire to 34 banks in German-speaking Switzerland, including Zürcher Kantonalbank, as part of its preliminary investigation into "possible agreements between banks and insurance companies regarding the salaries and salary components of apprentices and young professionals". This preliminary investigation is still ongoing.

Political influence

GRI 415-1: Political donations

No political donations or contributions in kind were made to political parties.

Socioeconomic compliance

GRI 419-1: Non-compliance with laws and regulations in the social and economic area

No violations of laws or regulations were reported in the year under review.

3.4 Access to financial services

3.4.1 GRI 3-3: Management approach

Explanation of the material topic and its delimitation

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

We offer a wide range of products to fulfil the public service mandate. Zürcher Kantonalbank also provides services that are outside the scope of the services provided by traditional universal banks. For example, we run a pawnbroking agency and provide non-cost-covering micro-loans. We support SMEs and innovative start-ups at various levels – with financing as well as with specific support measures. With the ZKB starter mortgage, first-time homebuyers benefit from a lower interest rate than the rate granted for normal ZKB fixed-rate mortgages. We also promote accessibility to our services for people with disabilities or impairments.

The management approach and its components

Information on the management approach and its components is provided in the preceding section about GRI 3-3.

Evaluation of the management approach

For information on this, please refer to sections 14 to 16 of the guidelines for the fulfilment of the public service mandate.

3.4.2 Thematic disclosures

Local communities

GRI 413-1: Operations with local community involvement, impact assessments and development programmes

Zürcher Kantonalbank is mainly active in the Greater Zurich Area. As the bank that's "close to you", we are in direct and close contact with the people of Zurich. With more than 400 projects in the fields of the environment, society and the economy, we participate in the regional development of community life in the Canton of Zurich. For information on our engagements, go to <https://www.zkb.ch/en/home/our-company/sustainability.html>.

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

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

Access points in sparsely populated or economically disadvantaged areas by access type

All clients benefit from our wide range of products and services. We operate the densest network of branches and ATMs in the Canton of Zurich. The bank can also be reached by phone, through eBanking and eBanking Mobile channels, and via the Smart Watch app or social media.

[Initiatives to improve access to financial services for disadvantaged people](#)

We promote accessibility for people with disabilities or impairments. For example, we aim to make the contents of our website available in such a way that every user can easily find and use the information they are looking for. We also promote accessibility at our branches and ATMs through the provision of wheelchair access. Last but not least, clients can have their cash in their desired currency delivered to their homes by post.

Many homeowners nearing retirement often worry that their bank will discontinue their mortgage after retirement. We continue to be a reliable partner for our clients in the third stage of their lives and work with them to find a suitable financing solution – whether it's a continuation of the mortgage, the purchase of a home suitable for the elderly, or a mortgage increase to cover renovations.

3.5 Responsible sales practices

3.5.1 GRI 3-3: Management approach

[Explanation of the material topic and its delimitation](#)

Responsible sales practices encompass all marketing activities that take sustainable account of the needs of our clients. They form the basis for trust in Zürcher Kantonalbank and promote a positive perception of our bank. Our marketing activities address both existing and potential clients.

[The management approach and its components](#)

We gear our products and services towards the needs of our clients and offer high quality while simultaneously ensuring fair, competitive prices. We provide our clients with comprehensive advice and support: That means we use a networked approach to address all aspects of their requirements that can have a financial impact on their current and future life situations – payments, savings, investments and financing, as well as retirement planning, succession planning and taxes. That helps us guarantee coordinated, needs-oriented solutions.

We communicate with our clients, employees and the public quickly, directly, regularly and transparently. Transparency is a central and overarching basic principle. To enable our clients to make informed decisions, we ensure transparency in products and services in particular. We avoid hidden fees. Our advertising measures are tailored to our target groups and use simple language appropriate for the group in question. Our compensation policy is based on the long-term goals and values of the bank. Accordingly, it does not create incentives to take inappropriate risks.

[Evaluation of the management approach](#)

The Executive Board is responsible for covering topics specific to sales, brands and marketing. It is supported by the Sales Committee. Furthermore, the Board of Directors is responsible for ensuring that there is a suitable risk and control environment and arranges for an effective ICS. Further information on this can be found in GRI 2-24 and in the [Annual Report](#) starting on page 120.

3.5.2 Thematic disclosures

[Marketing and labelling](#)

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

We inform our clients transparently about all products and services. For Swisscanto funds, the sustainability indicator was replaced by Swisscanto's sustainability rating at the beginning of 2021. This rating is shown on the fund factsheets as well as in the Swisscanto Sustainability Report, which has been available since the beginning of 2021 (see GRI 3-3 in section 3.2.1). We rely on data from the independent third-party provider MSCI when

determining the sustainability rating in our asset management and investment advisory mandates. The MSCI ESG Rating now establishes cross-channel transparency regarding the portfolio's positioning.

We are the first bank in the world to offer Fairtrade gold bars, with weights ranging from one to twenty grammes, in cooperation with the Max Havelaar Foundation (Switzerland). Fairtrade gold can be traced back to the mine, and should also serve to protect people and the environment in small-scale mining as well as promote support for both miners and their families and communities so that they can make lasting improvements to their situation through their own efforts.

Traceability is also guaranteed with traceable gold; more information on this can be found [here](#) (in German). In the year under review, the range of traceable precious metals was expanded from gold to silver.

We offer Fairtrade gold in amounts from 1 to 20 g and also traceable gold in amounts from one ounce (approx. 31.10 g) to 1 kg. In 2022, we were able to expand our traceable offering to include silver. We offer this in 1 kg bars.

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

No violations related to product and service information or labelling have been reported.

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

No violations related to marketing communications have been reported.

[Product and service labelling](#)

[Policies for the fair design and sale of financial products and services](#)

For details, please refer to GRI 3-3 in section 3.5.1.

[Initiatives to enhance financial literacy by type of beneficiary](#)

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

The range of retirement planning advisory services offered in the areas of retirement and risk planning, succession and taxes is being developed on an ongoing basis.

We provide educational information for pension and financial advice such as retirement, inheritance and tax calculators as self-service offerings for everyone, regardless of whether they are ZKB clients or not.

We offer every client a one-hour retirement consultation called "ZKB Retirement Compact" free of charge as an initial analysis and as a chance to take stock of where they currently stand. It includes the submission of an action plan containing specific solutions for optimising their retirement benefits. Advisory sessions conducted by experts in the areas of retirement planning, succession and taxes meet clients' needs for in-depth advisory services. The solutions developed during those sessions are made available to clients both digitally in eBanking and physically in the form of detailed documentation.

3.6 Economic benefit

[3.6.1 GRI 3-3: Management approach](#)

[Explanation of the material topic and its delimitation](#)

Zürcher Kantonalbank provides economic benefits by making a positive contribution to the promotion of local economic development. Helping the Canton of Zurich fulfil its economic, environmental and social obligations forms a part of its public service mandate.

[The management approach and its components](#)

We help the Canton of Zurich fulfil its economic, environmental and social obligations as part of our public service mandate. We contribute to efforts to promote Zurich as a business location and are committed to driving environmental and societal progress in the Canton of Zurich. When fulfilling our public service mandate, we pursue a business policy aimed at long-term continuity, an adequate level of profitability and a steady distribution of profit to the Canton of Zurich and its municipalities.

In 2022, for example, we distributed CHF 431 million to the canton and its municipalities.

With more than 400 apprentices we have one of the largest apprenticeship programmes in the Canton of Zurich, and we are also a major employer in the canton with over 5,000 full-time positions. We provide our clients with the densest network of branches in the Canton of Zurich, and we have a presence in about half of the 162 municipalities. Last but not least, 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.

[Evaluation of the management approach](#)

Information on this can be found in sections 14 to 16 of the guidelines for the fulfilment of the public service mandate.

3.6.2 Thematic disclosures

[Economic performance](#)

[GRI 201-1: Direct economic value generated and distributed](#)

Information on this can be found in the [Annual Report](#) starting on page 176.

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

Climate change can be associated with risks and opportunities. Zürcher Kantonalbank factors this into its business activities on an ongoing basis.

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. This is now done on an annual basis. At the same time, we became a TCFD supporter in spring 2022.

Zürcher Kantonalbank joined the Net-Zero Banking Alliance during the year under review. In doing so, the bank aims to achieve net-zero greenhouse gas emissions by 2050, and in its business activities it commits to science-based targets that are aligned with the 1.5°C climate target. As a further step towards greater climate transparency, Zürcher Kantonalbank joined the Partnership for Carbon Accounting Financials (PCAF) in the year under review 2022. We are working together with over 250 other financial institutions to develop a uniform and transparent standard for the valuation and disclosure of financed and invested emissions.

[GRI 201-3: Defined benefit plan obligations and other retirement plans](#)

For more information on this, please refer to the [Annual Report](#) starting on page 204.

[GRI 201-4: Financial assistance received from the public sector](#)

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

Indirect economic impacts

GRI 203-1: Infrastructure investments and services supported

Information on this can be found in the [Annual Report](#) starting on page 18.

GRI 203-2: Significant indirect economic impacts

Explanations of these can be found in the [Annual Report](#) starting on page 18.

Further information

zkb.ch

Public Service Mandate Unit

sustainability@zkb.ch

Legal information

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