

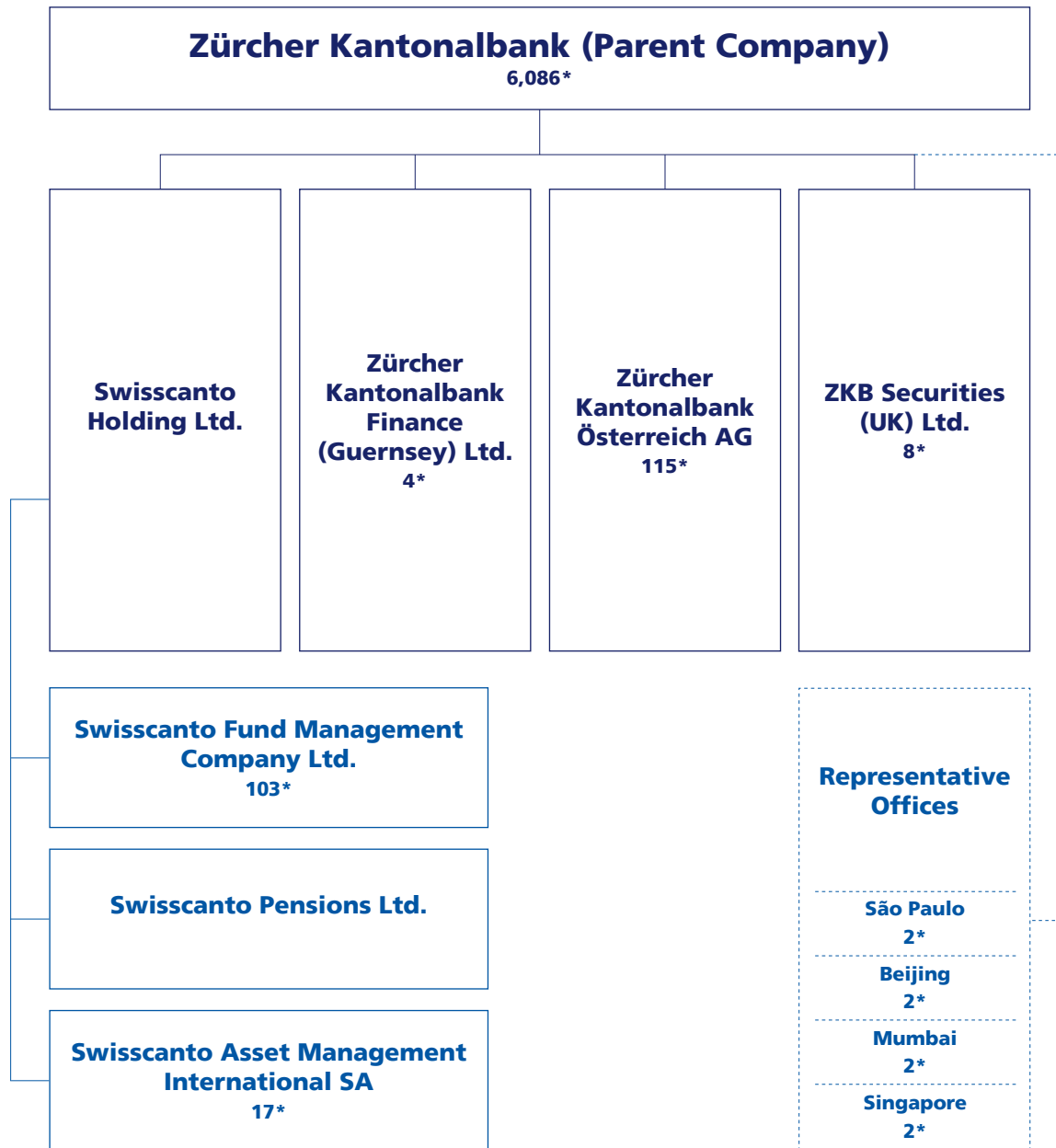


**Sustainability
Report
2023**



Zürcher
Kantonalbank

Group structure



* Number of employees

Contents

1. Foreword	4
2. Basic principles	6
2.1 About Zürcher Kantonalbank	8
2.2 Material topics	11
3. Sustainability in the group strategy	16
4. Corporate Governance	20
4.1 Sustainability as an integral part of corporate governance	21
4.2 Responsible management	25
4.3 Responsible sales practices	28
4.4 Digitalisation, cyber security and data protection	30
5. Economy	32
5.1 Economic benefit	33
5.2 Responsible financing	36
5.3 Responsible investing	37
6. Environment	40
6.1 Greenhouse gas neutrality	41
6.1.1 Responsible financing – environment	44
6.1.2 Responsible investing – environment	51
6.1.3 Responsibility in our own operations – environment	54
7. Social issues and human rights	58
7.1 Social issues and human rights in our financial services	60
7.1.1 Access to financial services and financial literacy	60
7.1.2 Responsible financing – social issues and human rights	64
7.1.3 Responsible investing – social issues and human rights	67
7.2 Responsibility in our own operations – social issues and human rights	67
7.2.1 Social issues and human rights in procurement	67
7.2.2 Community and social commitment	69
8. Employees	70
9. Appendix	76
9.1 Procedure for determining the material topics	76
9.2 Stakeholder groups	78

1 Foreword

At Zürcher Kantonalbank, sustainability is close to our hearts. In accordance with our legal mandate, our purpose is to contribute to the canton's fulfilment of its economic, social and ecological tasks and thus to support sustainable development.

In a rapidly changing world with geopolitical upheavals and accelerating climate change – according to the World Meteorological Organisation (WMO), 2023 was by far the warmest year since measurements began – the will and innovative power to achieve greater sustainability is also growing. In 2023, the Swiss population voted in favour of aiming for net zero emissions by 2050 with an approach that sets out reduction paths for the building sector, industry and transport up to that date. Greenhouse gas neutrality was also explicitly enshrined in our Zürcher Kantonalbank Act for the first time in 2023. Furthermore, reporting on non-financial matters will become mandatory for large companies under the Swiss Code of Obligations for the first time in 2023. To ensure the sustainability of the financial centre, the sustainability criteria introduced by the Swiss Bankers Association also apply to investment and mortgage advice. The topic of sustainability is thus moving into a new era of regulation. This increases sustainability-related market transparency in our country.

We see sustainable development as a special opportunity to harness the creative power of entrepreneurship to meet today's needs. Hence, the Board of Directors and the Executive Board took a close look at the public service mandate in 2023 and further developed the service mandate, support mandate and sustainability mandate with the milestone year 2030 in mind. In this context, the material topics were also updated in accordance with the GRI reporting standard, on which this report is based. In the year under review, we created transparency about our quantitative CO₂ targets. For example, we defined a reduction path for the residential mortgage business relevant to the balance sheet for the first time. The path is based on the Swiss climate target. We introduced the ZKB sustainability standard in the investment business.

In economic terms, 2023 is the most successful year in the history of Zürcher Kantonalbank. The people of Zurich benefit from our company's success in several ways. For the financial year 2023, we are distributing a total of CHF 528 million to the canton and its municipalities. And we have introduced free everyday banking with ZKB Banking.

The journey towards a more sustainable future continues in 2024 – it is only possible together with our clients. We want to promote innovative sustainability and climate solutions. Hence, we were one of the largest promoters of start-ups in Switzerland. At the same time, we are constantly developing our advisory and support services. In 2024, we will launch a sustainability advisory service for SMEs, the backbone of our economy.

Zürcher Kantonalbank has a clear statutory public service mandate from the Canton of Zurich to provide investment and financial services to the public and business, to contribute towards efforts to address economic and social issues and to ensure that our actions are environmentally and socially responsible. This has made us unique for more than 150 years. We are pleased to be fulfilling our public service mandate together with you and for you, the people of Zurich.



Dr Jörg Müller-Ganz,
Chairman



Urs Baumann
Chief Executive Officer



Urs Baumann, CEO, and Dr. Jörg Müller-Ganz, Chairman (f.l.)

2 Basic principles

This report on non-financial matters was prepared in accordance with the requirements of the Global Reporting Initiative (GRI) Standards and with Article 964a et seq. of the Swiss Code of Obligations (CO). Accordingly, the structure and content of the report are based on the legal requirements of the Swiss Code of Obligations (Art. 964b) and the GRI.

Each section is introduced with a description of the material impacts or effects, followed by an explanation of why the defined material topic is relevant to us (GRI 3–3a and b).

In order to take account of GRI 3–3c, we describe relevant guidelines and obligations under “General conditions”. Finally, under “Our implementation measures”, we describe the measures and their effectiveness (in accordance with GRI 3–3d and e) for the respective material topic. If not already explained under the measures, the “Involvement of stakeholders” (in accordance with GRI 3–3f) is also indicated.

Section overview

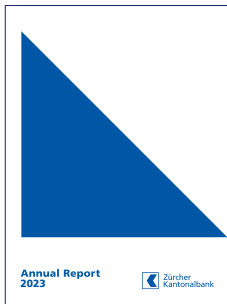
2.1 About Zürcher Kantonalbank

- Public service mandate
- Business model
- Significance of the group companies

2.2 Material topics

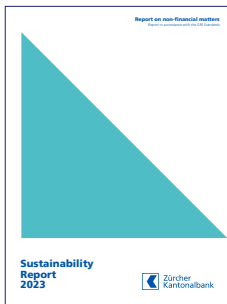
- Material topics of Zürcher Kantonalbank
- Governance
- Economy
- Environment
- Social issues and human rights
- Employees

Reporting with sustainability and climate focus



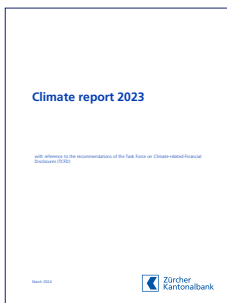
Annual Report 2023

This annual report comprises the management report, the corporate governance report, the compensation report and the financial statements of the Zürcher Kantonalbank group and its parent company. Additionally, the management report includes the focus report on the public service mandate for the attention of the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU) of the Cantonal Parliament. The public service mandate comprises the support mandate, the service mandate and the sustainability mandate. Selected sustainability topics that are particularly relevant to the public service mandate for the financial year 2023 are also presented in the Annual Report 2023. A summary of the “Disclosure of climate-related financial risks 2023” is also included.



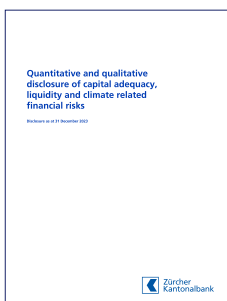
Sustainability Report 2023

The sustainability report is the report on non-financial matters in accordance with Article 964a et seq. of the Swiss Code of Obligations. It was prepared in accordance with the GRI Standards.



Climate report 2023

The climate report is based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It contains qualitative and quantitative information on climate risks and opportunities and implements the first requirements of the Net-Zero Banking Alliance (NZBA), which Zürcher Kantonalbank joined in December 2022.



Disclosure of climate-related financial risks 2023

Regulatory disclosure is made in accordance with the requirements of the Swiss Financial Market Supervisory Authority FINMA, which are based on the TCFD’s recommendations. The requirements set out in the FINMA Circular 2016/1 “Disclosure – Banks” are relevant for the disclosure. The information on climate-related financial risks in accordance with Annex 5 of the Circular is part of the document “Quantitative and qualitative disclosure of capital, liquidity and climate-related financial risks” as at 31 December 2023, which will be available from the end of April 2024 at zkb.ch/disclosure.

2.1 About Zürcher Kantonalbank

Zürcher Kantonalbank (ZKB) is a leading universal bank in the Zurich economic area with Swiss roots and an international reach. It is an independent public-law institution of the Canton of Zurich and has received top ratings from the rating agencies Standard & Poor's, Moody's and Fitch (AAA/Aaa). With more than 6,000 employees across the group, Zürcher Kantonalbank offers its clients a comprehensive range of products and services. Its core business includes financing, asset and wealth management, trading, capital market transactions, deposits, payment transactions and the card business. Zürcher Kantonalbank provides clients and distribution partners with a comprehensive range of investment and retirement provision products and services.

The interests and strategy of the owner are set out in the Cantonal Banking Act on Zürcher Kantonalbank. As a public-law institution, we are under the overall supervision of the Cantonal Parliament.

Public service mandate

§ 2 of the Zürcher Kantonalbank Act defines the purpose of Zürcher Kantonalbank and thus our "public service mandate":

- section 1: "The bank's purpose is to contribute to the canton's fulfilment of its economic, social and ecological tasks and thus to support sustainable development."
- section 2: "The bank satisfies investment and financing needs through a business policy geared towards continuity. In doing so, it especially takes into account the concerns of small and medium-sized enterprises, employees, agriculture and public-sector corporations. It promotes home ownership, construction of affordable housing as well as the achievement of greenhouse gas neutrality."

The "Guidelines for the Fulfilment of Zürcher Kantonalbank's Public Service Mandate" approved by the Cantonal Parliament set out the details of the public service mandate. In accordance with § 2 of the guidelines, the public service mandate is the legal obligation of Zürcher Kantonalbank to provide the population of the Canton of Zurich in general and certain client groups in particular with banking services that meet their basic needs. We fulfil this with a business policy, which is focused on consistency and continuity and based on market-oriented principles. In order to remain competitive and fulfil the public service mandate in the long term, we strive to make a reasonable profit and ensure our continued existence and further development with a correspondingly sustainable return on equity.

In accordance with § 4 of the guidelines, Zürcher Kantonalbank, as a universal bank, shall observe the principles of sustainability and the recognised rules of risk management when fulfilling its service mandate. Our understanding of sustainability involves harmonising successful business activity with responsibility for the environment and society on a long-term basis. Sustainability is an integral part of our group strategy (see zkb.ch/en/home/our-company/corporate-strategy.html). Fulfilling and further developing the public service mandate is an integral part of the balanced scorecard, Zürcher Kantonalbank's strategic management instrument. The public service mandate consists of three sub-mandates: the service mandate, the support mandate and the sustainability mandate. It is reflected in the mission statement, the group strategy and the business units' strategies. The sub-mandates of the public service mandate are described on page 23 of the annual report.

Business model

In accordance with § 2 of the Zürcher Kantonalbank Act, Zürcher Kantonalbank meets investment and financing needs through a business policy geared towards continuity. In doing so, it pays particular attention to the concerns of small and medium-sized enterprises, employees, agriculture and public-sector corporations. It promotes home ownership and construction of affordable housing as well as the achievement of greenhouse gas neutrality. In accordance with § 7 of the Zürcher Kantonalbank Act, the bank conducts “the business of a universal bank”.

As a universal bank, we offer a wide range of products and services. Our core business includes the following: financing (especially mortgages and corporate loans), investment and asset management, custody, trading and capital markets, and the borrowing, payment transactions and card businesses. We also offer additional services, such as leasing and advice on financial, tax, inheritance, succession and real estate matters.

With total assets of CHF 201 billion and over 6,000 employees (group), we are the largest cantonal bank and the second-largest universal bank in Switzerland. We are also the third-largest fund provider and one of the largest start-up promoters in Switzerland. Since 2005, we have financed 261 start-ups with CHF 280 million in equity and mezzanine capital.

In the Zurich economic area, we have a market penetration of around 50 percent in all core segments, which puts us in pole position. Nearly half of the people of Zurich and of the companies domiciled in the Canton of Zurich are clients of Zürcher Kantonalbank. With 51 branches and contact centres and 270 ATMs, Zürcher Kantonalbank has the densest network of branches and ATMs in the Canton of Zurich. We are the bank for small and medium-sized enterprises (SMEs) in the Greater Zurich Area. At the end of 2023, we counted around 72,000 companies as active clients. Over 90 percent of our corporate clients are SMEs.

Nationally, we focus on the following specific segments: private banking, external asset managers, large corporations, pension funds and other banks.

Internationally, we rely on our Private Banking with active marketing in Germany and on our subsidiary ZKB Österreich AG in Austria, as well as on the distribution of our Luxembourg-based Swisssanto products, which are targeted at selected markets in Europe.

Our client segments include retail clients, high-net-worth individuals, private banking clients, SMEs, commercial clients, business clients and corporate clients as well as other specialised segments (large corporations, pension funds, financial institutions, key clients, external asset managers, international private clients).

Zürcher Kantonalbank holds an authorisation of the Swiss Financial Market Supervisory Authority (FINMA) pursuant to the Federal Act on Banks and Savings Banks (Banking Act) to operate as a bank in Switzerland. Our business operations are subject to continuous supervision by FINMA. For cross-border private banking business with Germany, Zürcher Kantonalbank has a “simplified exemption” from the German Federal Financial Supervisory Authority (BaFin).

The parent company of Zürcher Kantonalbank is located in Zurich. In accordance with the organisational regulations for the group and the parent company, the parent company excludes the subsidiaries and sub-subsidiaries of Zürcher Kantonalbank.

Further information on our business model can be found in our annual report. Our financial report explains how we generate our profit, starting on page 112.

Significance of the group companies

Page 2 shows the group structure with Zürcher Kantonalbank as the parent company and the four subsidiaries Swisscanto Holding Ltd, Zürcher Kantonalbank Finance (Guernsey) Ltd, ZKB Österreich AG and ZKB Securities (UK) Ltd. Both the balance sheet and the income statement of the Zürcher Kantonalbank group are shaped by the parent company. The companies below the parent company have very little influence on the risk assessment at group level. The following additional activities are located in the fully consolidated subsidiaries:

- Swisscanto Holding Ltd. The Swisscanto Group includes the two fund management companies in Zurich and Luxembourg, as well as Swisscanto Pensions Ltd. Swisscanto is one of the leading Swiss providers of sustainable investment solutions. The assessment of the various aspects of sustainability risks, in particular climate-related financial risks, contained in this Sustainability Report also covers the activities of the Swisscanto companies.
- Zürcher Kantonalbank Österreich AG: Zürcher Kantonalbank Österreich AG focuses on the investment and asset management business in Austria. Zürcher Kantonalbank Österreich AG has defined its own strategy for dealing with sustainability risks and published it in accordance with local regulations. During the advisory process, Zürcher Kantonalbank Österreich AG provides clients with information on the sustainability risks of the investment solutions offered and explains these. Zürcher Kantonalbank Österreich AG has no material influence on the assessment of the group's sustainability risks.
- Zürcher Kantonalbank Finance (Guernsey) Ltd. and ZKB Securities (UK) Ltd.: The business activities of Zürcher Kantonalbank Finance (Guernsey) Ltd. are limited to the issue of structured products. The business area of ZKB Securities (UK) Ltd. comprises equity brokerage and research services for professional clients. It gives our Swiss capital market clients direct access to an international investor base. The local operations in Guernsey and London do not give rise to any sustainability risks that significantly increase or reduce the group's risk profile. The business activities of the two companies are taken into account in the assessment of the parent company's trading business.

Unless otherwise stated, this report contains information on non-financial matters at group level.

2.2 Material topics

The material topics in accordance with the requirements of the GRI Standards were updated in 2023 by the Board of Directors due to the strategic further development of the public service mandate in view of the targets for 2030 and the requirements for non-financial reporting in accordance with the Swiss Code of Obligations.

Details on the determination of material topics are set out in note 9.1. The material topics are covered in the following sections.

Material topics of Zürcher Kantonalbank

Governance

Responsible management

In accordance with the Zürcher Kantonalbank Act, Zürcher Kantonalbank is obliged to pursue a business policy geared towards continuity. This includes responsible management, which forms the basis for trusting cooperation between Zürcher Kantonalbank and its stakeholder groups. Thanks to its responsible management, Zürcher Kantonalbank contributes to the prevention of corruption, bribery, price fixing, money laundering, anti-competitive behaviour, tax evasion and fraud. It also promotes the responsible handling of conflicts of interest, transparency regarding any payments to authorities or other parties, as well as channels for whistleblowing and the protection of whistleblowers.

Section: 4.2 Responsible management, pages 25–28

Responsible sales practices

We are committed to responsible sales practices. Our marketing activities are tailored to the needs of our clients. They form the basis for trust in Zürcher Kantonalbank and promote the positive perception of our bank. Our marketing activities target both existing and potential clients.

Section 4.3 Responsible sales practices, pages 28–29

Digitalisation, cyber security and data protection

Digitalisation influences the way in which we work and the demands of our clients. We adapt to changes in clients' behaviour by constantly developing our banking services. Where appropriate, we make our banking services available digitally. We are continuously developing our digital-only products, such as "frankly".

The bank is obliged to protect privacy in accordance with bank-client confidentiality and data protection law. Zürcher Kantonalbank considers it crucial throughout the group to comply with legal requirements and protect the privacy of its clients and the confidentiality of important business data.

Section 4.4 Digitalisation, cyber security and data protection, pages 30–31

Economy

Economic benefit

As part of our public service mandate, we support the Canton of Zurich in fulfilling its economic, environmental and social tasks. We help promote Zurich as a business location and are committed to driving environmental and societal progress in the Canton of Zurich. In fulfilling our public service mandate, we pursue a business policy aimed at continuity, an appropriate level of profitability and a steady distribution of profit to the Canton of Zurich and its municipalities.

Section 5.1 Economic benefit, pages 33–35

Responsible financing

We support sustainable development and minimise sustainability risks with our responsible financing business. Financing is of key importance as it is one of our core businesses and can be associated with environmental and social impacts. We grant loans to private individuals, companies and institutions. Our mortgage business is central. For example, we finance one of every three owner-occupied homes in the Canton of Zurich.

Section 5.2 Responsible financing, page 36

Section 6.1.1 Responsible financing – environment, pages 44–50

Section 7.1.2 Responsible financing – social issues and human rights, pages 64–66

Responsible investing

We believe that responsible investing means promoting sustainability in the investment business. The investment business is one of the core businesses where we can build on our long-standing expertise in sustainability. Zürcher Kantonalbank offers the investment solutions ZKB Discretionary Mandate, ZKB Portfolio Consulting and the ZKB Fund Portfolio (“standardised investment solutions”). The bank’s Asset Management manages funds and customised mandate solutions (ZKB Asset Management Special Mandates). We offer sustainable versions and product lines for all types of investment solutions.

Section 5.3 Responsible investing, pages 37–39

Section 6.1.2 Responsible investing – environment, pages 51–53

Section 7.1.3 Responsible investing – social issues and human rights, page 67

Material topics of Zürcher Kantonalbank

Social issues and human rights

Social responsibility

We provide the people and the economy in the Canton of Zurich with the services of a universal bank. In line with our public service mandate, we support the Canton of Zurich in fulfilling its economic and social tasks. We achieve this with our financing and investment solutions and other universal bank services as well as with our sponsorship commitments in the Zurich economic area. In order to fulfil our social responsibility, we ensure broad access to financial services in the canton.

Section 7 Social issues and human rights, pages 58–69

Access to financial services

One central aspect of our public service mandate is ensuring access to financial services for the population. 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 succession planning. In particular, we address the concerns of SMEs, employees, agriculture and public-sector entities and promote both home ownership and affordable housing. In this way, we aim to cover client needs across all client segments. The Guidelines for the Fulfilment of the Public Service Mandate set out the requirements for this.

Section 7.1.1 Access to financial services and financial literacy, pages 60–64

Human rights

Within our sphere of influence, we are guided by the international provisions on human rights that are binding for Switzerland. These include the right to life, liberty, security, fair working conditions, equal opportunities and children's rights. In the context of financing and investment decisions, human rights issues are part of our reputational risk assessment for globally active companies. We ensure that human rights are respected in our financial services and in our own operations.

Section 7.1.1 Access to financial services and financial literacy, pages 60–64

Section 7.2 Responsibility in our own operations – social issues and human rights, pages 67–69

Environment

Greenhouse gas neutrality

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, particularly in Zurich as a place to live and do business. In our financing, investment and pension businesses, as well as in our own operations, we are guided by the Paris Agreement and the goal of achieving greenhouse gas neutrality by 2050.

Section 6.1 Greenhouse gas neutrality, pages 40–57

Employees

Employees

With over 5,300 employees (parent company) and 400 apprentice positions, we are one of the largest employers and providers of vocational training in the Canton of Zurich. Our culture is characterised by our focus on performance, fairness and respect. We take our corporate responsibility seriously and encourage our employees to take responsibility for their own actions and shape their own work, regardless of their age, gender, sexual orientation, nationality, religion or physical ability.

Section 8 Employees, pages 70–75

3 Sustainability in the group strategy

Sustainability is an integral part of Zürcher Kantonalbank's group strategy, in accordance with the Zürcher Kantonalbank Act and the implementing Guidelines for the Fulfilment of the Public Service Mandate. The goals of sustainable development and greenhouse gas neutrality have been explicitly anchored in the paragraph of the Zürcher Kantonalbank Act on the bank's purpose as of 1 January 2024.

Zürcher Kantonalbank understands sustainability to mean harmonising successful business activity with responsibility for the environment and society on a long-term basis. To this end, it sets itself the following ambitions and is guided by the Sustainable Development Goals (SDGs) of the United Nations.

Sustainability ambitions in our group strategy

Ambitions

We accompany our clients on the path to a more sustainable future.

We are a leading provider of sustainable offers (products and services).

Supporting the economy's transformation on the path to sustainability and net zero

Scaling innovative sustainability and climate solutions

We actively shape sustainability issues.

Social responsibility in the Zurich economic area

Memberships and partnerships

Sustainability policy

The group's sustainability policy implements the sustainability ambitions stipulated in its strategy and sets out the guidelines for all its business activities at group level, in the investment and pension business, in the financing business, in the deposit business, in payment transactions, in its own financial investments, in its operations, its procurement and its commitments. Specifically, requirements and exclusions are defined based on environmental, social and governance (ESG) aspects (zkb.ch/sustainability).

Ambitions

We accompany our clients on the path to a more sustainable future. We are a leader in sustainable products and services.



Supporting the transformation of the economy on the path to sustainability and net zero

We accompany our clients on the path to a more sustainable future and towards net zero, focusing on areas with the greatest potential for impact. As part of the Net Zero Assets Managers Initiative (NZAM) and the Net-Zero Banking Alliance (NZBA), we are guided by science-based climate scenarios and are aiming for net zero by 2050 at the latest.

Investment and pension business

In our investment business, we are guided by the United Nations' six Principles for Responsible Investment (UN PRI), and we report on them annually. We systematically consider ESG risks and opportunities in the investment process for active investment solutions and, when investing directly in investment funds, we focus on dialogue with the invested companies with a view to achieving the SDGs and greenhouse gas neutrality by 2050.

Our Asset Management joined the Net Zero Asset Managers Initiative (NZAM) in July 2021.

Financing business

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

Zürcher Kantonalbank joined the Net-Zero Banking Alliance in December 2022. Our bank thus aims to achieve net zero by 2050 and commits in its financing business to pursue scenario-based targets aligned with the 1.5°C climate target.



Scaling new sustainability and climate solutions

Achieving the SDGs and the net-zero target by 2050 requires technological, entrepreneurial and social innovation. We are therefore committed to the development, scaling and introduction of new sustainability and climate solutions, for example as part of our start-up and private equity financing. We are one of the largest financiers of start-ups in Switzerland.

Ambition

We actively shape sustainability issues.

Social responsibility in the Zurich economic area

Our contribution to strengthening the canton's competitiveness and life quality is an important pillar of our public service mandate. We contribute to the life quality in the Canton of Zurich with our sponsoring engagements and commitments.

We aim for an adequate level of profitability and a steady distribution of profit to the Canton of Zurich and its municipalities.

Memberships and partnerships

We promote industry initiatives and join membership and partnership programmes to this end.

Memberships

- Energy Model Zurich
- Swiss Sustainable Finance (SSF)
- swisscleantech
- Sustainable Investment Forum (SIF)
- EUROSIF
- UNEP Finance Initiative (UNEP FI)
- UN Principles for Responsible Investment (PRI)
- UN Principles for Responsible Banking (PRB)

Partnerships

- Fairtrade Max Havelaar
- Mobility Business Car Sharing
- naturemade star!
- Minergie Association

Given the importance of net zero 2050, we have joined the following climate-related initiatives:

- Net-Zero Banking Alliance (NZBA)
- Net Zero Asset Managers Initiative (NZAM)
- Partnership for Carbon Accounting Financials (PCAF)
- Task Force on Climate-related Financial Disclosures (TCFD supporter)

4 Corporate governance

Zürcher Kantonalbank stands out in the field of sustainability due to its integrated sustainability governance. This is based on the purpose paragraph of the Cantonal Banking Act on Zürcher Kantonalbank and the publicly available guidelines on the public service mandate issued by the Board of Directors and approved by the Cantonal Parliament. The guidelines set out the tasks, competencies and responsibilities for the public service mandate. For example, the Chairperson's Committee is responsible for monitoring and developing the public service mandate. The Public Service Mandate Steering Committee (SALA) advises and supports the Chairperson's Committee and the Board of Directors in all matters relating to the public service mandate. The Chairperson of the SALA is the CEO and the Deputy Chairperson is the CFO. Together with the Head of the Public Service Mandate unit and representatives from all business units, the SALA also assists the Executive Board (EB) as an advisory body.

Section overview

4.1 Sustainability as an integral part of corporate governance

- Board of Directors with the Risk Committee and Audit Committee
- Executive Board and its committees

4.2 Responsible management

- General conditions
- Our implementation measures
 - Combating corruption
 - Antitrust law
 - Conflicts of interest
 - Due diligence obligations to prevent money laundering

4.3 Responsible sales practices

- General conditions
- Our implementation measures

4.4 Digitalisation, cyber security and data protection

- General conditions
- Our implementation measures
- Involvement of stakeholder groups

Sustainability governance comprises the defined responsibilities and roles in relation to the public service mandate and the associated sub-mandates, i.e. the service mandate, support mandate and sustainability mandate. Sustainability governance is an integral part of our corporate governance, which is described in the annual report from page 76 to page 98. The corporate governance report provides information about the Board of Directors, which is the bank's highest governing body, and its committees, the composition of its committees, the independence of the members of the Board of Directors and the committees of the Board of Directors, their term of office, the number of positions and duties, their gender, their background and their competencies. The appointment and selection processes for the Board of Directors are also explained on page 77 in the annual report.

The organisational regulations for the group and the parent company of Zürcher Kantonalbank (zkb.ch/corporategovernance) set out the basic principles of group-wide management, collaboration and organisation at the levels of the Board of Directors, the Chairperson's Committee, the Executive Board and Audit. Business activities, business relationships, tasks, competencies and responsibilities within the group are defined.

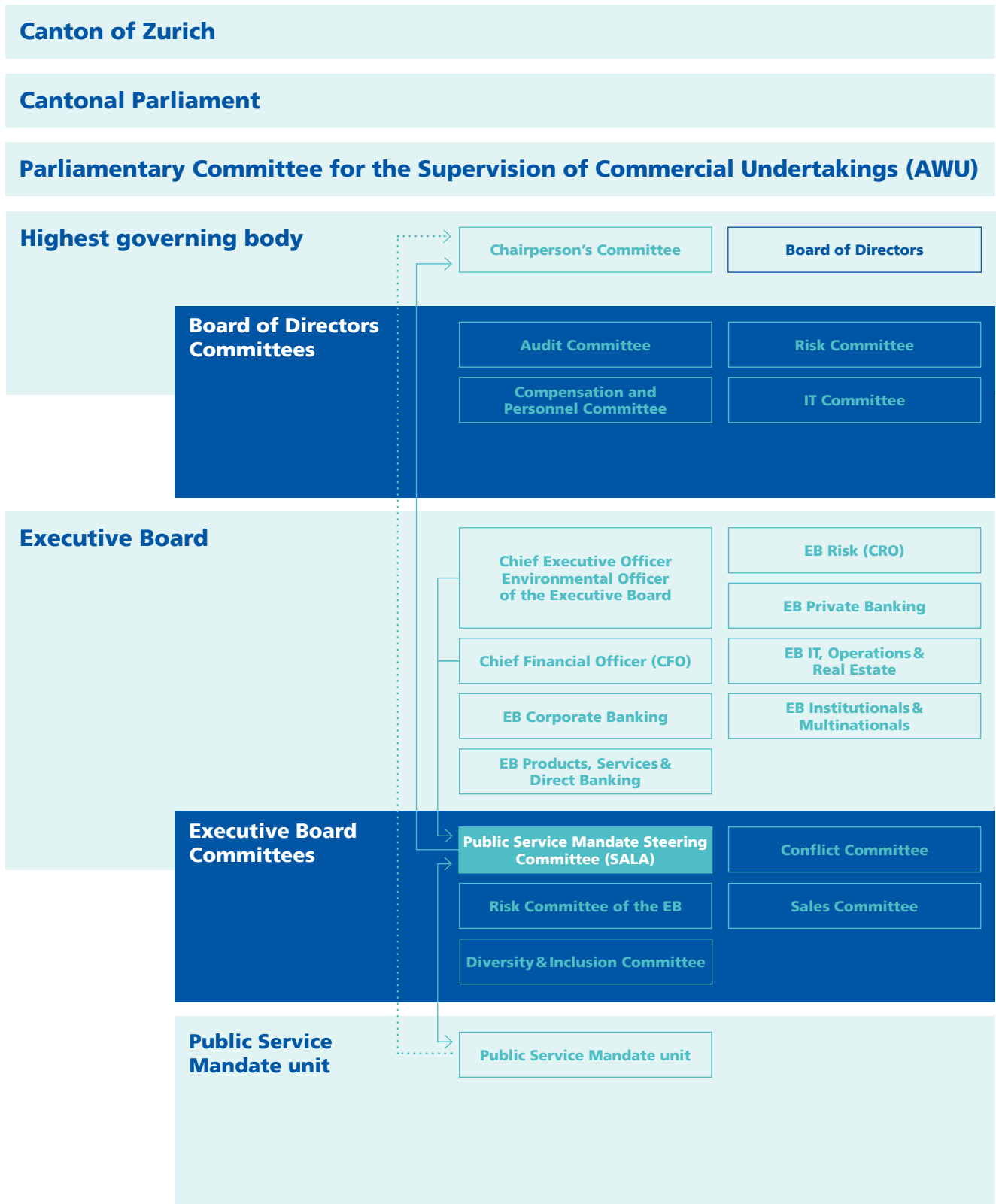
Further regulations set out the requirements for the job profiles and the preliminary review and appointment of members of the Board of Directors and the Chairperson's Committee; the key requirements, responsibilities and competencies in connection with identifying, assessing, controlling, managing, monitoring and reporting risks; the organisation of the Compliance function; as well as the basic principles for compliance in the group.

4.1 Sustainability as an integral part of corporate governance

Zürcher Kantonalbank is subject to the overall supervision of the Cantonal Parliament (§ 11 section 1 of the Zürcher Kantonalbank Act). The Cantonal Parliament is therefore responsible, among other things, for approving the Guidelines for the Fulfilment of the Public Service Mandate (§ 11 section 2 of the Zürcher Kantonalbank Act). The Guidelines for the Fulfilment of the Public Service Mandate concretizes the public service mandate of Zürcher Kantonalbank that is set out in § 2 of the Zürcher Kantonalbank Act. They form the basis for the bank's governing bodies to ensure and monitor fulfilment of the public service mandate and for the committee that audits the accounts and annual report of Zürcher Kantonalbank to supervise fulfilment.

The Cantonal Parliament of Zurich has delegated overall supervision to the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU). Every year, the AWU determines a key topic for the public service mandate, which is reported on in the annual report. The annual financial statements and the report on non-financial matters (sustainability report) are approved by the Cantonal Parliament in accordance with protocol. The annual report and sustainability report are set to be approved by the Cantonal Parliament on 27 May 2024.

Sustainability within existing corporate governance



Board of Directors with the Risk Committee and Audit Committee

The Board of Directors bears ultimate responsibility for the management of the bank. Among other things, it issues the guidelines that describe how the public service mandate is to be fulfilled. As part of its overall management, control and supervisory function, the Board of Directors regularly checks that the public service mandate is being fulfilled in a high-quality, economically viable manner. The Board of Directors assigns this task to the Chairperson's Committee (§ 9 Guidelines for the Fulfilment of the Public Service Mandate).

The most important instruments for managing and monitoring the public service mandate are:

- Group mission statement as a guiding framework
- Public service mandate 2030 with the three sub-mandates of service, support and sustainability integrated into the balanced scorecard, the bank's strategic management tool
- Group strategy and strategies of the business units (business unit strategies)
- Annual planning and objective setting in the business units at all levels

As a further instrument for managing and monitoring the public service mandate, the Chairperson's Committee or the Board of Directors can attach conditions to the approval of individual transactions (§ 12 Guidelines for the Fulfilment of the Public Service Mandate). The tasks of the Chairperson's Committee and the Board of Directors also include managing and monitoring the sustainability mandate (one of the three sub-mandates of the public service mandate) and implementing the sustainability ambition set out in the group strategy that was adopted by the Board of Directors.

The Board of Directors, in its capacity as the bank's governing body, defines the group mission statement and the sustainability ambition in the group strategy. The Board of Directors is informed quarterly about the risk and financial situation and annually about the public service mandate and sustainability. The Board of Directors defines the strategic metrics for the public service mandate with the three sub-mandates of service, support and sustainability, including the further development of these sub-mandates.

The Risk Committee of the Board of Directors assists the Board of Directors in monitoring the bank's risk management and compliance with regulatory requirements regarding the management of risk. In particular, it carries out an annual structured assessment of the appropriateness of risk management (risk organisation, guidelines and processes) and initiates any necessary adjustments. The assessment covers all types of risk. In the third quarter of 2023, the Risk Committee of the Board of Directors also dealt with the risk categorisation of physical climate risks and transition risks for the individual business areas, based on the analysis of the Risk Committee of the Executive Board.

The Audit Committee supports the Board of Directors in monitoring the internal and external audit and the internal control system and in reviewing the annual financial statements, and it prepares its decisions in this regard. It also assists the Board of Directors in reviewing the report on non-financial matters (sustainability report) and the climate report.

In 2023, the Audit Committee paid particular attention to the further development of the sustainability and climate report as part of non-financial reporting. The audit committee also informed itself about regulatory developments relating to sustainability.

The Executive Board and its committees

The Executive Board ensures the fulfilment of the public service mandate within the scope of its responsibilities and powers, if necessary together with the Chairperson's Committee and the Board of Directors (§ 7 Guidelines for the Fulfilment of the Public Service Mandate).

The sustainability policy, which is adopted by the Executive Board, implements the sustainability ambition set out in the group strategy and formulates guidelines on how sustainability is to be put into practice as an integrating business principle in all business activities in dealings with all stakeholders. Additionally, it defines exclusions for business activities, in particular for the lending business, which are specified in internal guidelines. The internal guidelines for investment and asset management are also anchored in the sustainability policy.

The Executive Board is likewise responsible for the strategic control and monitoring of the environmental management system. The CEO of Zürcher Kantonalbank has a special monitoring and control function as the environmental officer of the Executive Board.

Public Service Mandate Steering Committee (SALA)

The Guidelines for the Fulfilment of the Public Service Mandate of Zürcher Kantonalbank set out the details of the public service mandate of Zürcher Kantonalbank as laid down in § 2 of the Zürcher Kantonalbank Act. The Public Service Mandate Steering Committee (SALA) is anchored in § 11. It supports the Chairperson's Committee in the fulfilment of its task. Comprising representatives from all business units, it is led by the Head of the public service mandate unit. The SALA advises and supports the Chairperson's Committee, the Board of Directors and the Executive Board in all matters relating to the public service mandate. The CEO is the Chairperson of the SALA, and the CFO is the Deputy Chairperson. The Chairperson is in close contact with the Head of the Public Service Mandate unit. The Public Service Mandate unit plans and coordinates the meetings in consultation with the Chairperson of the SALA. The SALA manages the public service mandate, which comprises the service mandate, support mandate and sustainability mandate. It initiates and develops amendments to sustainability policy, promotes the integration of sustainability into business unit strategies and advises on the implementation of regulatory requirements relating to sustainability issues. The SALA also analyses important national and international frameworks, initiatives and alliances in the area of sustainability and prepares these agreements for signing. Additionally, it serves as a preliminary advisory body for the development of new products and services in which sustainability is a key feature or in which sustainability effects play a significant role. It is also responsible for handling cross-sector orders and initiatives in connection with the public service mandate. Furthermore, the SALA advises the Chairperson's Committee and the Board of Directors on the metrics for the public service mandate and the annual report on the public service mandate.

Diversity & Inclusion Committee

In 2023, the Executive Board established the Diversity Steering Committee (DSA). This committee defines measures for achieving targets in the area of gender diversity. The committee meets three times a year. The committee is chaired by the Executive Board's Diversity & Inclusion Officer (Head of IT, Operations & Real Estate).

Public Service Mandate unit

The Public Service Mandate unit is responsible for planning, implementing, developing, monitoring and communicating the public service mandate, which comprises the service mandate, sustainability mandate and support mandate. As a permanent member of the SALA, the Head of the Public Service Mandate unit is responsible for planning, steering and coordinating the SALA meetings in close consultation with the Chairperson of the SALA.

4.2 Responsible management

On 1 November 2013, the Swiss National Bank (SNB) decided that Zürcher Kantonalbank, as a financial group, is systemically important within the meaning of Articles 7 and 8 of the Swiss Banking Act. Zürcher Kantonalbank is committed to responsible management in accordance with statutory and regulatory provisions as well as recognised professional principles within the banking industry. Responsible management forms the basis for trust between Zürcher Kantonalbank and its stakeholder groups.

General conditions

Zürcher Kantonalbank is required to pursue a "business policy geared towards continuity" (§ 2 Zürcher Kantonalbank Act). In addition to the provisions of supervisory law, the requirements of FINMA Circular 2017/1 "Corporate governance – banks" in particular are applicable to Zürcher Kantonalbank. Insofar as this is possible for a public-law institution, Zürcher Kantonalbank also bases its operations on the SIX Swiss Exchange Directive on Information relating to Corporate Governance of 29 June 2022 and the *economiesuisse* Swiss Code of Best Practice for Corporate Governance of 14 November 2022.

The Regulations on the Code of Conduct and Ethics apply to the group and serve to promote a uniform and effective corporate and compliance culture within the group (§ 3 Organisational Regulations). They set out the most important rules of conduct to be observed by all employees. The integrity and reputation of Zürcher Kantonalbank are among the company's most important assets. The bank therefore relies on receiving reports of suspected misconduct within the organisation from employees or third parties – anonymously if desired (whistleblowing).

In accordance with legal requirements and the expectations of the Swiss Financial Market Supervisory Authority (FINMA), Zürcher Kantonalbank pursues a structured compliance policy. Internal bank regulations define the organisation of the Compliance function and the requirements for compliance at Zürcher Kantonalbank and set out the basic principles for compliance within the group. We understand compliance to mean ensuring that Zürcher Kantonalbank conducts its business operations in accordance with legal norms.

The principles of the compliance policy are as follows: applicable legislation and ethics; ethical and performance-related basic values in a code of conduct; duty of all employees and members of governing bodies to comply with laws, regulations, internal rules and industry standards. Zürcher Kantonalbank has set up a special procedure for reporting any breaches of the rules (whistleblowing).

The primary responsibility for compliance lies with the Executive Board. The most important principle of all is that Zürcher Kantonalbank conducts its banking operations in accordance with the statutory and regulatory provisions as well as recognised professional and ethical principles within the banking industry. The Compliance function, which is part of the Legal & Compliance organisational unit within the General Management business unit, prepares an annual assessment of compliance risk and a corresponding action plan based on a compliance/risk inventory. The Compliance function is organisationally independent of the income-driven business units. The General Counsel (Head of Legal & Compliance) has direct access to the Chairperson's Committee at all times and reports directly to the CEO.

Our implementation measures

Combating corruption

As part of effective compliance, we do not tolerate bribery or corruption. We do not grant any undue advantages for unlawful or improper behaviour or for the mere cultivation of relationships. Nor do we accept undue advantages for ourselves. We are allowed to receive and offer gifts to an extent that is socially acceptable. There are specific requirements for receiving and offering gifts and invitations, including reporting, authorisation and disclosure processes.

All employees have been trained in our anti-corruption guidelines and procedures. All new employees must attend an introductory compliance training course, which also covers the topic of corruption. In addition, specific on-site training courses on money laundering are held periodically in the sales units. These courses also cover the topic of corruption.

We have specific monitoring systems in place to detect and report money laundering offences, including corruption and bribery. Transactions with a background of corruption or bribery are strictly prohibited. Due to the risk of being held liable for acts of bribery or corruption by a third party, employees of Zürcher Kantonalbank must report any suspicions to the relevant Compliance department. Alternatively, any employee or other person can report such suspected cases anonymously via the whistleblowing platform at Zürcher Kantonalbank. No confirmed cases of corruption were recorded in the year under review.

Antitrust law

Companies that violate antitrust law may be fined millions of francs. Furthermore, there is a risk of claims for compensation and of reputational damage. Employees who violate antitrust provisions can expect consequences under labour law, such as disciplinary proceedings or even dismissal. In addition to antitrust law, we are subject to unfair competition law, which is governed by the Federal Act on Unfair Competition (UCA) and protects competition from distortions caused by unfair behaviour.

Zürcher Kantonalbank considers it very important that its employees act in accordance with antitrust law and the provisions of unfair competition law. We are committed to fair

competition and refrain from doing anything that could jeopardise it. We communicate transparently and always act fairly and honestly towards clients, business partners, competitors, the public and each other. We make our employees aware of the legal requirements by providing information and training, and we have control processes in place with regard to our marketing communication. As was reported in the press, the Swiss Competition Commission (COMCO) 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 maybe also insurance companies regarding the salaries and salary components of apprentices and young professionals”. This preliminary investigation is ongoing.

Conflicts of interest

Members of the Cantonal Parliament, the Government Council of Zurich and the supreme cantonal courts as well as members of tax authorities, tax officials and persons working for other banks may not be members of the Board of Directors or Chairperson’s Committee (§ 14 section 3, Cantonal Banking Act on Zürcher Kantonalbank).

In the year under review, Zürcher Kantonalbank did not make any party donations or donations in kind to political parties.

In the event of escalation within the organisation, the Chairperson’s Committee decides on transactions with particular business policy risks, conflicts of interest or particular effects on the group’s reputation. The Chairperson’s Committee approves limits and deals with transactions involving particular business policy risks, conflicts of interest or particular effects on the group’s reputation where these exceed the remit of the Executive Board and do not fall within the remit of the Board of Directors.

The relevant internal persons have primary responsibility for identifying transactions and structures that entail particular business policy risks, conflicts of interest or particular effects on the bank’s reputation. Any relevant critical concerns are communicated to the Board of Directors directly or indirectly via the responsible offices as soon as they are received.

Conflicts of interest impair the ability of employees and members of governing bodies to fulfil their obligations to clients and the group. Wherever possible, we avoid situations that could lead to conflicts of interest, and we make potential conflicts of interest transparent. Zürcher Kantonalbank endeavours to structure its business activities in such a way that the interests of clients, Zürcher Kantonalbank and its employees are aligned as far as possible. Nevertheless, conflicts of interest cannot always be avoided. Zürcher Kantonalbank deals with potential conflicts of interest in a transparent and fair manner in line with regulatory requirements and the Zürcher Kantonalbank Code of Conduct. To this end, it has directives and procedures for identifying and avoiding or handling (presumed) conflicts of interest.

Selected measures for dealing with conflicts of interest are described online (zkb.ch/en/legal/conflict-of-interest.html).

Due diligence obligations to prevent money laundering

The Swiss legislator has created a comprehensive defence network to prevent money laundering, comprising Articles 305bis and 305ter of the Swiss Criminal Code (SCC), the Anti-Money Laundering Act (AMLA) and the implementing ordinances and regulations. These provisions impose extensive obligations on all financial service providers.

Zürcher Kantonalbank considers it very important to fully comply with legal requirements at all times. We are in constant dialogue with our clients in order to perform the extensive tasks associated with this:

- When opening a business relationship, we identify the background of the incoming assets and clarify the intended use of the account and the beneficial owner.
- The existing client details are periodically checked to ensure they are up to date and confirmed or renewed by the client.
- We verify and record client information on a risk basis using documents (contracts, register extracts, Form A, etc.).
- If the bank becomes aware of a transaction that is classified as unusual based on the business relationship to date, the background to the transaction is clarified and, if necessary, a money laundering report is submitted to the Money Laundering Reporting Office Switzerland (MROS).

4.3 Responsible sales practices

Responsible sales practices relate to our client processes – from the creation of products and services, the preparation and communication of information, the creation of documents, web content and sales brochures to the entire client advisory process for individual products and services. It is thus crucial that all statements on all communication channels can be understood by the respective target audience.

General conditions

The Executive Board is responsible for dealing with sales, brand and marketing issues. It is supported in this by the Sales Committee, which relieves the Executive Board from dealing with marketing issues. The Sales Committee is responsible for group-wide brand management and the strategic sales topics of all business units at the parent company. The Board of Directors is responsible for ensuring that there is a suitable risk and control environment, and it arranges for an effective internal control system (ICS).

Zürcher Kantonalbank has extensive internal regulations and processes in place to ensure compliance with existing legal requirements for marketing and commercial communication. These guidelines and processes are intended to prevent a breach of regulatory provisions, e.g. in relation to services in the investment business and/or cross-border services and the principles of unfair competition law. The internal regulations on commercial communication include an explicit ban on greenwashing. Greenwashing refers to deceptive communication in relation to the ESG characteristics of products, services or companies. All employees who produce commercial communications are required to adhere to the procedural and material guidelines.

In the investment business, responsible sales practices are supported by self-regulation by industry associations, among other things. We have made a key contribution to the sustainable finance self-regulations of the Swiss Bankers Association (SBA) and the Asset Management Association Switzerland (AMAS), which serve to strengthen sustainable finance on the Swiss market in the interests of a sustainable Swiss financial centre:

- SBA Guidelines for financial service providers on the integration of ESG preferences and ESG risks into investment advice and portfolio management
- SBA Guidelines for mortgage providers on the promotion of energy efficiency
- AMAS self-regulation on transparency and disclosure for sustainability-related collective assets

Our implementation measures

Transparency is our basic principle. We are in direct and regular dialogue with our clients, employees, suppliers and the public. We ensure that our products and services are transparent so that our clients can make informed decisions. Our advertising measures are tailored to the target audience and produced in language that is understandable and appropriate for that audience.

We gear our products and services towards the needs of our clients, and we offer high quality and value for money at the same time at fair, competitive prices. We provide our clients with comprehensive advice and assistance. We address all areas of need that can have a financial impact on clients' current and future life situation – payments, savings, investment and financing, as well as retirement planning, succession planning and taxes. In this way, we provide harmonised, needs-oriented solutions, while complying with supervisory, self-regulatory and civil law requirements at all times.

In the reporting year, the sustainability approach in investment advice and portfolio consulting was significantly developed in ongoing projects, in particular in the areas of informing clients about ESG aspects, establishing their sustainability preferences and offering investment solutions with sustainability criteria. In autumn 2023, all client advisors were trained in ESG in the investment business in general and in the relevant requirements in the AMAS and SBA self-regulations in particular as part of this further development of our advisory process in the investment business.

4.4 Digitalisation, cyber security and data protection

Digitalisation influences the way in which we work and the demands of our clients. We respond to changing client behaviour by constantly developing our banking services and cultivating a corporate culture that supports innovation at all levels.

All of our business areas are constantly looking to develop innovations that are both useful and profitable. We develop solutions for every client segment in the bank based on our strategy. New service approaches are tested in temporary pilot projects. Promising ideas are broken down into concrete steps, and various offers are tested with clients directly. To this end, trends are analysed systematically and across all industries, innovation is promoted, and meaningful partnerships and collaborations are examined. We develop and operate our bank's applications and systems. To ensure that our services are stable, simple and secure, we are focusing on important forward-looking investments for the next few years, including the modernisation of our technology platforms and our cyber security roadmap. The bank's efficiency is being increased through automation and standardisation, and development is driven forward on the basis of facts by means of consistent performance management.

General conditions

The Federal Act on Data Protection (FADP), the FINMA circulars ("Corporate governance – banks", "Outsourcing", "Operational risks and resilience – banks") and the FINMA guidance ("Duty to report cyber attacks") as well as the ISO 27000 series of standards provide a framework for data protection and cyber security. We constantly develop and update our security standards. The security specifications cover the scope of ISO 27002:2022 and are supplemented on a technology-specific basis. Every three years at the most, the security requirements are also reviewed by independent security experts with regard to good practice and completeness.

Our implementation measures

The information and cyber risk management processes are integrated into the OpRisk (operational risk) management processes. Qualitative and quantitative risk tolerance requirements are defined in line with the objectives of group strategy, IT strategy and risk strategy. The "first line of defence" risk managers must comply with these requirements when implementing their strategies. The Chief Information Security Officer (CISO) monitors compliance with security requirements relating to information and cyber risks. Reports are submitted to the Risk Committee of the Executive Board and the Risk Committee of the Board of Directors quarterly and annually as part of the OpRisk profile of Zürcher Kantonalbank. Our security assessments for both internal IT systems and outsourced IT systems at service providers are based on the ISO 27002 standard and are supplemented by measures from the NIST Cybersecurity Framework (National Institute of Standards and Technology). Security assessments are updated at least once a year for critical IT systems. Security assessments are carried out during the year in the event of significant changes to processes or IT systems or

on the basis of event analyses, audits and other triggers. The bank implements and monitors the further development of identified fields of action by means of a programme in the form of a cyber security roadmap. More information on this topic can be found at zkb.ch/en/home.html.

Throughout the group, Zürcher Kantonalbank attaches great importance to protecting the privacy of its clients and the confidentiality of important business data. Correct, efficient handling of Zürcher Kantonalbank's data and information – both in physical and electronic form – is a business-critical success factor. We handle the personal data entrusted to us with care and comply with both the legal and the applicable regulatory requirements. We consider it crucial to ensure that the information we hold about our clients remains confidential and that data protection and data security are safeguarded. We only pass on this information if our clients agree to this or if we are legally obliged to do so. This applies equally to information about employees and business partners. We always use such information conscientiously and only to the extent permitted. Further information on how Zürcher Kantonalbank deals with the topics of data protection and bank-client confidentiality can be found on the ZKB website zkb.ch/en/legal/data-protection.html.

Involvement of stakeholders

In accordance with the applicable law, we require service providers to ensure data protection and confidentiality.

Our employees are our greatest asset in making digitalisation possible. Hence, we make long-term investments in our IT engineering culture as well as in the skills and competencies of our employees. The employees of Zürcher Kantonalbank are required to comply with data protection regulations and maintain bank-client confidentiality. They regularly learn about the data protection regulations and requirements through training and other suitable measures (e.g. mandatory e-learning on data protection).

Despite ongoing digitalisation and increasing use of self-service channels, personal client contact remains important. Personal advice continues to be a high priority for clients, especially when it comes to complex life or corporate events such as retirement, buying residential property or founding a company.

5 Economy

This section describes the key economic issues that are important to our management, namely our economic benefit and how we finance and invest responsibly.

Section overview

5.1 Economic benefit

- General conditions
- Our implementation measures
- Economic performance
- Endowment capital, state guarantee and taxes

5.2 Responsible financing

- General conditions
- Our implementation measures

5.3 Responsible investing

- General conditions
- Our implementation measures

5.1 Economic benefit

Zürcher Kantonalbank is the second-largest universal bank and one of the most important cantonal banks in Switzerland. With over 420 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 around 5,500 full-time positions (FTE). We have been considered a “national systemically important institution” since November 2013. The legislator has defined special requirements for systemically important banks. For example, we have increased capital and liquidity requirements in order to contribute to financial stability.

General conditions

The Cantonal Banking Act on Zürcher Kantonalbank states that we must contribute to efforts to address economic and social issues within the canton (§ 2). As we are a company managed according to business principles, we endeavour to make a reasonable profit (§ 3). The Zürcher Kantonalbank Act also stipulates the composition of “equity capital” and that we have a state guarantee (§ 5 and § 6).

Our implementation measures

In line with our public service mandate, we support the Canton of Zurich in fulfilling its tasks. We help promote Zurich as a business location and are committed to driving economic, environmental and societal progress in the Canton of Zurich. In fulfilling our public service mandate, we pursue a business policy aimed at continuity, as well as an adequate level of profitability and a steady distribution of profit to the Canton of Zurich and its municipalities. For 2023, we distributed a total of CHF 528 million to the canton and its municipalities.

We maintain physical proximity to the people of Zurich and are committed to having the densest branch network in the Canton of Zurich and providing physical cash services in all branches. We are also involved in a wide range of activities in the areas of nature, youth, culture, sport, social affairs and entrepreneurship through more than 400 partnerships, memberships and sponsorships in the Canton of Zurich.

Economic performance

With a clear statutory public service mandate from the Canton of Zurich to continuously provide investment and financial services to the public and business, to contribute towards efforts to address economic and social issues, Zürcher Kantonalbank operates a long-term business and dividend policy. When fulfilling its public service mandate, Zürcher Kantonalbank, as a universal bank, observes the principles of sustainability and the recognised rules of risk management. Zürcher Kantonalbank builds on its existing strengths to ensure continuity in economic performance through diversified sources of income. The Canton of Zurich and its municipalities participate directly in our success through the annual profit distribution.

Our consolidated balance sheet and income statement can be found on pages 114 and 115 in the annual report under financial report. The report of the statutory auditor on the annual financial statements can be found on page 197 in the annual report.

The relevant key figures for the financial year 2023 are:

- Consolidated profit: CHF 1,238 million
- Profit distribution: CHF 528 million
- Return on equity (RoE): 9.3 percent
- Total assets: CHF 201.3 billion
- Shareholders' equity: CHF 14.3 billion
- Mortgage loans: CHF 100.9 billion
- Credit exposure to companies: CHF 36 billion
- Client assets: CHF 450.8 billion
- Active private clients: 740,000
- Risk capital funding for start-ups and scale-ups: CHF 15.8 million

Endowment capital, state guarantee and taxes

The endowment capital of CHF 2,425 billion forms the corporate capital of Zürcher Kantonalbank in accordance with paragraph 4 of the Zürcher Kantonalbank Act and is provided by the Canton of Zurich. The statement of changes in equity is available on page 118 in the annual report.

The canton also provides the bank with a state guarantee. It is liable for all the bank's (non-subordinate) liabilities should the bank's resources prove inadequate; this is a security measure that has never had to be drawn upon. Zürcher Kantonalbank pays the Canton of Zurich compensation for the state guarantee at cost, which is determined annually by the Board of Directors and reported in the bank's annual financial statements and annual report. The compensation is determined in the insurance model (§ 1 and § 2, "Reglement über die Entschädigung der Staatsgarantie durch die Zürcher Kantonalbank"). This amounted to CHF 30.1 million in 2023. Further information on the state guarantee is set out in paragraph 6 of the Zürcher Kantonalbank Act and in the regulations governing the compensation of the state guarantee.

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

Following the adoption of the OECD/G20 proposal to tax large, internationally active companies at a minimum rate of 15 percent in the federal referendum on 18 June 2023, the regulation came into force on 1 January 2024. The OECD minimum tax also affects Zürcher Kantonalbank, which will be subject to tax based on the new criteria. For state-owned organisations, income from the supplementary tax accrues to the owners. The bank and Cantonal Parliament want to amend the Zürcher Kantonalbank Act to ensure that the current distribution of profit from Zürcher Kantonalbank remains the same. The respective tax amount paid to the canton is to be taken into account when determining the amount of the distribution. The Cantonal Parliament will decide on the bill in early February 2024.

Group value added (in accordance with GRI 201-1)

	in CHF million		in percent	
	2023	2022	2023	2022
Creation of value added				
Company performance (= operating income)	3,194	2,752	100.0%	100.0%
General and administrative expenses (incl. compensation for state guarantee and payments from public service mandate)	-499	-442	-15.6%	-16.0%
Extraordinary income	1	8	0.0%	0.3%
Extraordinary expenses	-0	-0	0.0%	0.0%
Gross value added	2,697	2,319	84.4%	84.2%
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-75	-101	-2.3%	-7%
Changes to provisions and other value adjustments and losses	28	2	0.9%	0.1%
Net value added	2,651	2,200	83.0%	80.7%

	in CHF million		in percent	
	2023	2022	2023	2022
Creation of value added				
Employees (personnel expenses)	1,180	1,153	44.5%	51.9%
Municipalities of the Canton of Zurich (profit distribution)	170	160	6.4%	7.2%
Canton of Zurich (profit distribution)	358	331	13.5%	14.9%
Taxes	7	8	0.3%	0.4%
Strengthening of reserves (self-financing)	936	552	35.3%	25.6%
Distributed net value added	2,651	2,204	100%	100%

Value added statement key figures

	2023	2022
Gross value added per full-time position in TCHF	501	449
Net value added per full-time position in TCHF	493	430
Number of full-time positions (calculated on the average number of employees)	5,379	5,167

5.2 Responsible financing

Responsible financing business is essential for Zürcher Kantonalbank. We grant loans to private individuals, companies and public-sector institutions.

General conditions

Paragraph 2 of the Zürcher Kantonalbank Act defines our purpose and our areas of impact.

According to the implementing Guidelines for the Fulfilment of the Public Service Mandate, general basic needs are deemed to include, in particular, the mortgage and lending business in addition to the investment and savings business as well as payment transactions. Here, we pay particular attention to the concerns of small and medium-sized enterprises, employees, agriculture and public-sector entities. The defined area of impact also includes the promotion of home ownership, affordable housing construction and, as of 1 January 2024, the achievement of greenhouse gas neutrality.

We pursue a risk policy geared towards continuity and consider the assessment of environmental, social and governance risks (ESG risks) to be an important part of the credit assessment process. Since our credit policy is geared towards continuity, we are a reliable financial partner for companies with intact future prospects, even in difficult times. Our publicly published sustainability policy sets out requirements for the financing business and defines exclusion criteria (zkb.ch/sustainability). For our financing business, we are guided in particular by the objectives of both the federal government and the Canton of Zurich with a view to the 2030 Agenda for Sustainable Development and achieving greenhouse gas neutrality by 2050.

Our implementation measures

With our financing business, we want to make a contribution to sustainable development and minimise sustainability risks. ESG risks and opportunities for borrowers are taken into account as part of the credit assessment and monitoring process. We discuss ESG risks and opportunities with our clients and promote sustainable and forward-looking business models.

We participate in companies with innovative products, services or sales models at all stages of the company's life cycle, from the company's foundation to succession planning. We support small and medium-sized enterprises and entrepreneurs with start-up, development, expansion and acquisition loans, and finance projects involving sustainable technologies. When founding a company, we work as a partner bank with the "GO! Mikrokredite" association, helping people to become entrepreneurs with ZKB microloans. Additionally, within the framework of the cantonal business location development programme "SMEs and Innovation", SMEs receive support for their innovation opportunities and ideas. We also support our SMEs through generational changes and provide professional and financial support during succession planning.

Our employees receive regular training on compliance with relevant requirements.

5.3 Responsible investing

One aspect of Zürcher Kantonalbank's legally defined public service mandate is to provide the population and the economy with investment services, pursuing a business policy geared towards sustainability and continuity. The investment business is part of our core business.

Zürcher Kantonalbank's Asset Management division is the third-largest asset manager in Switzerland.

General conditions

The group-wide implementation of the investment business and the responsibilities and framework conditions to which those responsible for the investment business are bound are set out in the internal regulations of Zürcher Kantonalbank.

With regard to sustainability aspects, in our investment business we have been guided by the United Nations' six Principles for Responsible Investment (UN PRI) since 2009, and report on them annually. Since then, an external, independent Sustainability Advisory Board has supported us in our sustainability endeavours in the investment and pension business.

In the investment business, we operate in a very dense and dynamic regulatory environment. The core regulations governing the investment business in Switzerland are the Financial Services Act (FinSA) and the Collective Investment Schemes Act (CISA) with their corresponding ordinances. In addition, there are existing and ongoing self-regulations: SBA guidelines for financial service providers on the integration of ESG preferences and ESG risks into investment advice and portfolio management came into force on 1 January 2023. These guidelines establish a uniform minimum standard within the industry for the consideration of ESG preferences and risks in investment advice and wealth management. The AMAS self-regulation on transparency and disclosure for sustainability-related collective assets came into force on 30 September 2023. Its purpose is to ensure the quality of wealth management and positioning of sustainability-related collective assets as well as transparency within the Swiss asset management industry. Both self-regulations provide for various transitional periods for implementation. For the investment business with clients domiciled in the EEA or UK, ZKB also implements the European regulations (EU Disclosure Regulation and MiFID II).

Our implementation measures

Our approach

In our active investment solutions, we manage assets in accordance with the ambitious ZKB sustainability standard. The ZKB sustainability standard includes at minimum the sustainability approaches of CO₂e reduction, ESG integration, avoidance of controversies and the pursuit of a stewardship approach. The individual approaches include the following:

Climate



CO₂e reduction

CO₂e reduction refers to the reduction of greenhouse gas emissions (such as carbon dioxide and methane) in an investment context. Here, we are guided by a CO₂e benchmark or the targets set out in the Paris Agreement. The aim of this agreement is to limit global warming to well below 2°C compared to the pre-industrial age, with a maximum temperature increase of 1.5°C being the target.

ESG



ESG integration

ESG integration refers to the systematic consideration of ESG criteria (environmental, social and responsible corporate governance) in the investment process. For this, we include financially relevant ESG risks and opportunities, such as those associated with companies and countries, in our analyses.

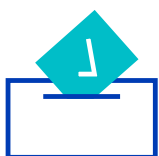
Controversies



Avoidance of controversies

By taking controversies into account in the investment process, the aim is to avoid investments in business activities and practices that constitute a notable violation of sustainability principles. We pay particular attention to avoiding investments in controversial and conventional weapons, thermal coal and plants that violate the principles of the UN Global Compact (such as in the areas of human rights, labour standards, the environment and anti-corruption).

Stewardship



Voting & engagement

Stewardship includes voting (exercising voting rights at annual general meetings) and engagement (active dialogue on sustainability issues) with companies in which investments are made. Through our stewardship activities, we aim to promote sustainable business strategies and practices as well as compliance with recognised international principles and best-practice standards on sustainability issues.

The active investment solutions relate to portfolio management mandates and investment funds, with the exception of indexed, individualised and third-party managed investment solutions and investment funds in the area of alternative investments.

We also offer passive (indexed) investment solutions with sustainability approaches.

Our ambitious ZKB sustainability standard is also factored into investment proposals, in line with the designation, when providing standardised investment advice. The investment decision lies with our clients.

Communication and transparency

We provide sustainability training to our client advisors to support our clients on a wide range of matters related to sustainability.

Our clients are already periodically informed about the sustainability-related aspects of their investment solutions. In Asset Management, this is done via Swisscanto Sustainability Reporting. This reporting will be further expanded in the standardised investment solutions in 2024.

In 2024, we will also introduce reporting on Swiss Climate Scores in the collective investment business and in standardised wealth management. We will then provide clients with ASIP (Swiss Pension Fund Association) reports for pension funds from 2024 onward.

Details of the stewardship activities in Asset Management are also publicly available (swisscanto-fondsleitungen.com/en/investment-stewardship.html).

6 Environment

With regard to environmental issues, we are focussing on those that are climate-related. At the forefront of this is greenhouse gas neutrality, which we have structured based on our financing business, investment business and own operations. We are guided by the principle of double materiality, i.e. we consider how climate change affects our business activities on the one hand and how our business activities affect climate change on the other.

Section overview

6.1 Greenhouse gas neutrality

- General conditions
- Climate risks
- Overview of CO₂ targets

6.1.1 Responsible financing – environment

- CO₂ targets in the financing business
- Our implementation measures

6.1.2 Responsible investing – environment

- CO₂ targets in the investment business
- Our implementation measures

6.1.3 Responsibility in our own operations – environment

- CO₂ targets in our own operations
- Our implementation measures

6.1 Greenhouse gas neutrality

We are aware of the important role played by the financial sector in efforts to achieve sustainable development worldwide and greenhouse gas neutrality by 2050. In our financing and investment businesses, as well as in our own operations, we are guided by the Paris Agreement and the goal of achieving greenhouse gas neutrality by 2050.

The potential negative impacts and effects of greenhouse gas emissions (CO₂) are primarily characterised by climate risks, i.e. physical risks from climate change and transition risks on the way to a low-carbon economy. They have been relevant since the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In view of climate change and the global political situation, the risk of a disorderly transition to a low-carbon economy is growing, making climate risks even more important. At the same time, the transition to a climate-friendly economy also opens up business opportunities in the form of financing and investment opportunities.

General conditions

Our climate goals are based on the goals of the Paris Agreement and on achieving greenhouse gas neutrality by 2050. In doing so, we are aligning ourselves with Switzerland's long-term climate strategy (net zero by 2050) and the Canton of Zurich's climate strategy (net zero by 2040, 2050 at the latest). We are also guided by the Federal Act on Climate Protection Targets, Innovation and Strengthening Energy Security (CIA). Furthermore, in accordance with the amendment to the Zürcher Kantonalbank Act, the obligation to support sustainable development (§ 2, section 1), to promote the achievement of greenhouse gas neutrality (§ 2, section 2) and to actively contribute to achieving the cantonal climate targets, in particular with regard to energy-efficient building renovations (§ 7, section 4) applies to Zürcher Kantonalbank as of 1 January 2024. We also comply with the Federal Council's Sustainable Finance Strategy and the corresponding self-regulation of the industry organisations AMAS and SBA. We are guided by the TCFD recommendations. Since 2022, we have fulfilled the FINMA disclosure requirements in the area of climate-related financial risks in our disclosure report and update it annually (zkb.ch/disclosure).

Climate risks

Climate-related financial risks influence the risk profile of Zürcher Kantonalbank, but are not among the top risks. The key drivers of transition risks for the bank are climate legislation, changing client preferences, public perception and climate change itself. Areas that are potentially more affected by this include:

- **the investment and asset management business** with its offering of products with CO₂ reduction targets
- **the lending business**, where future changes in legislation may impact the valuation of collateral (properties in the mortgage portfolio) and financing of companies in climate-exposed sectors.

Physical climate risks are significantly less important for the risk profile of Zürcher Kantonalbank than transition risks. Areas that are potentially affected by physical climate risks include:

- **the mortgage portfolio:** the value of individual properties in the mortgage portfolio could be reduced, for example, as a result of flooding or landslides.
- **banking operations:** the accumulation of extreme weather events could impact bank operations in a very adverse flooding scenario.

The chart below summarises the 2023 risk assessment of climate-related financial risks, as carried out by the Risk Committee of the Executive Board following in-depth discussions. The assessment is based on the traditional risk categories, whereby compliance risks from the investment business are subsumed under business risks. The assessment is guided by a baseline scenario in which the Paris climate targets are largely taken into consideration and the transition to a low-carbon economy occurs in an orderly fashion.

The risk assessment is generally low for all business areas. Strategic adjustment options need to be considered, particularly in the long term. Only the transition risks in the financing business and in the investment and asset management business are rated slightly higher in the medium to long term. The focus here is on reputation risks from lending (possible allegations against the bank due to financing provided to companies from climate-sensitive industries) or from greenwashing allegations, which could in particular impact income from the investment business.

The “Disclosure of climate-related financial risks 2023” describes the risk assessment and categorisation as well as the associated methodological principles (zkb.ch/disclosure).

Overview of risk assessment 2023

Time frame	Physical risks	Transition risks	
	Med. – long term	Short term	Med. – long term
Operational risks: Banking operations	●○○○○	●○○○○	●○○○○
Credit risks: Financing business	●○○○○	●○○○○	●●○○○
Market risks: Trading and Treasury	●○○○○	●○○○○	●○○○○
Business risks: Investment and Asset Management business	●○○○○	●○○○○	●●○○○

●○○○○ = no risk, ●●●●● = high risk

Short term = time horizon up to 5 years, med. term to long term = 6 to 30 years

Overview of CO₂ targets

We have defined the following climate targets for the financing business, the investment business and our own operations. Further details can be found in the Climate Report 2023. (zkb.ch/reports)

Overview of CO₂ targets

Area	Targets	Base year	Methodology	Scenario
Financing business				
Residential mortgage business ¹	2030: 8.7 kg CO ₂ /m ² Energy reference area (ERA) (44 % reduction) 2040: 0.9 kg CO ₂ /m ² ERA (94 % reduction)	2022	PACTA ² /own methodology Metrics: intensity (scope 1)	Energy Perspectives 2050+ (EP 2050+), Zero basis scenario residential property; 1.5°C compatible
Investment business				
As part of our sustainability standard for active investment solutions, ³ we pursue a CO ₂ e reduction in our investments in traditional asset classes.				
Asset Management				
20 % of AuM ⁴ of Asset Management	CO ₂ e intensity reduction of at least 4 % per year ⁵	2019	Own methodology Metrics: intensity (scope 1, 2)	IPCC "well below 2°C" scenario (67 %)
25 % of AuM ⁴ of Asset Management (Net Zero Asset Managers initiative ⁶)	CO ₂ e intensity reduction of at least 7.5 % per year ⁵	2019	Own methodology Metrics: intensity (scope 1, 2)	IPCC 1.5°C scenario (50 %)
Own operations				
Own operations	2030: reduction to 1,800 tonnes of CO ₂ e ⁷ Neutralising of the remaining emissions through negative emission technologies (NET)	2022 ⁸	VfU (German Association for Environmental Management) key figures Calculation tool Metrics: absolute (scope 1, 2, 3) ⁹	–

¹ Includes only residential properties (single-family homes, multi-family homes and condominiums)

² Paris Agreement Capital Transition Assessment

³ Definition of "active investment solutions": relates to portfolio management mandates and investment funds, with the exception of indexed, individualised and third-party managed investment solutions and investment funds in the area of alternative investments.

⁴ Assets under management

⁵ Plus economic growth

⁶ Interim targets according to NZAM are published in our climate report (zkb.ch/reports) and at netzeroassetmanagers.org/signatories/swisscanto-invest/

⁷ We have already reduced our operational emissions by 68 percent since 2010.

⁸ The bank's last environmental programme for 2018–2022 serves as the basis for our new 2023–2030 environmental programme.

⁹ The following categories of the GHG Protocol are relevant within scope 3: paper (category 1), fuel and energy-related emissions (not included in scope 1 or 2) (category 3), waste (category 5) and business travel (category 6). NB: We are currently evaluating how we can expand the coverage of the operational emissions of Scope 3 categories.

6.1.1 Responsible financing – environment

The percentage composition of the credit portfolio can be found in the risk report from page 168 of the annual report. At 69 percent, credit risk is the largest risk category in the risk capital allocated by the Board of Directors.

Loans by client portfolio are also shown on page 176 of the annual report. Accordingly, individuals make up the largest share of our portfolio, followed by companies in second place.

In Switzerland, the building sector is responsible for almost 40 percent of energy consumption and around a quarter of CO₂e emissions.¹⁰ The reduction of CO₂e emissions in the building sector is therefore of crucial importance for the national net zero strategy 2050. In its climate strategy, the Canton of Zurich also emphasises the building sector’s particularly high level of CO₂e emissions. At the same time, we are directly linked to the real estate sector through our mortgage business. The largest share of our balance sheet is made up of mortgage loans totalling CHF 100.9 billion. Of this amount, a total of around CHF 83 billion relates to mortgages for residential property. This makes the decarbonisation of financed buildings a key lever.

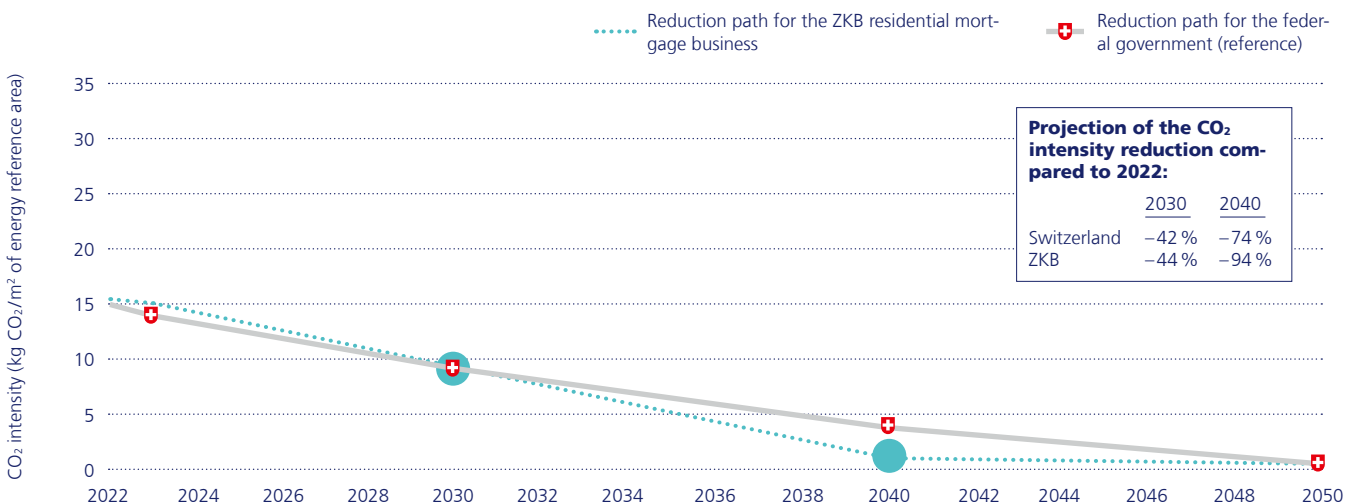
CO₂ targets in the financing business

Reduction path for residential property

As a starting point for the target, we assume a value of 15.4 kg CO₂/ERA. The ZKB reduction path is oriented on the federal government’s reduction path, whereby our ambition is to exceed this from 2030 onward.

Our bank has committed to setting sector-specific emissions-based on climate targets that are in line with the latest findings of climate science. As part of this commitment,

Reduction path for residential property



¹⁰ <https://www.dasgebaeudeprogramm.ch/de/>

Zürcher Kantonalbank has defined the first CO₂ reduction path for the residential mortgage business. We want to reduce our CO₂ intensity in the residential mortgage business by 44 percent by 2030 and are guided in this by Switzerland's long-term climate strategy (net zero by 2050).

Unsecured loans and advances in the companies client portfolio (climate-sensitive and other industries)

Zürcher Kantonalbank is guided by the internationally established TCFD recommendations on the disclosure of transition risks from credit exposure to climate-sensitive and, as a subset thereof, carbon-related industries. TCFD defines carbon-related as industries associated with the energy and utilities sectors, according to the Global Industry Classification Standard, excluding water supply and renewable power generation. Zürcher Kantonalbank more comprehensively describes as climate-sensitive those industries that are exposed to higher transition risks due to their greenhouse gas emissions. Zürcher Kantonalbank bases its delimitation on emission statistics and uses the Swiss or European industry classification. The commodity trade finance (CTF) sub-portfolio is reported separately, irrespective of the industry, and is subject to the following restrictions under the bank's sustainability policy. The following figure shows the unsecured loans and advances in the companies client portfolio in line with this classification.

In terms of the total balance sheet exposure in this portfolio, at the end of the year, climate-sensitive sectors accounted for around 7.8 percent or CHF 2.8 billion (2022: 7.4 percent or CHF 2.5 billion). This includes the entire energy sector, which, however, consists almost exclusively of financing for sustainable energy sources. In addition to components manufacturing and repair, the automotive sector also includes, in particular, selling and financing vehicles. The transport sector mainly includes passenger transport in the tourist sector and local transport as well as freight transport by road. In accordance with the aforementioned exclusion criteria in the sustainability policy, Zürcher Kantonalbank does not provide financing in the coking and petroleum refining industry, which TCFD designates as carbon-related, and does not finance coal mining or fossil-fuel power plants.

In the financing business, Zürcher Kantonalbank is guided in particular by the objectives of both the federal government and the Canton of Zurich with a view to the 2030 Agenda and achieving greenhouse gas neutrality by 2050. It therefore does not provide direct financing for coal mining, oil and gas extraction or fossil-fuel power plants. Commodities that are explicitly excluded in Commodity Trade Finance (CTF) include: coal used for electricity production (thermal coal), crude and heavy oil, bitumen/asphalt, asbestos, uranium, precious woods, live goods, diamonds, rare earth metals, perishable goods and non-certified palm oil. 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.

We discuss ESG risks and opportunities with our corporate clients and promote sustainable and forward-looking business models.

Unsecured loans and advances in the corporate client portfolio by “climate-sensitive” and other industries

Industry designation	31.12.2023			31.12.2022
	Balance sheet exposure in CHF million	as % of unsecured exposure	as % of balance sheet exposure	as % of balance sheet exposure
Mining/crushed rock and earth	3	0.0	0.0	0.0
Metal production/processing	6	0.1	0.0	0.0
Sewage and waste disposal and elimination of environmental pollution	59	0.9	0.2	0.2
Agriculture, hunting and related activities	93	1.5	0.3	0.3
Glass/ceramics/cement	130	2.0	0.4	0.4
Transport (incl. mountain railways, but excluding rail passenger transport and goods trains)	223	3.5	0.6	0.6
Chemical products	341	5.3	0.9	0.9
Energy supply	441	6.9	1.2	2.0
Automotive	916	14.3	2.5	1.2
CTF (commodity trade finance)	620	9.7	1.7	1.8
Total climate-sensitive sectors	2,833	44.2	7.8	7.4
Total other sectors	3,573	55.8	9.9	9.9
Total corporate client portfolio unsecured	6,405	100	17.7	17.3
Real estate financing	28,732	–	79.3	79.4
Other products	1,110	–	3.1	3.3
Total balance sheet exposure companies	36,247	–	100	33,350

Our implementation measures

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

We accompany and support our clients on the path to a more sustainable future and net zero and specifically promote sustainable developments in the areas of energy, mobility and buildings. When financing the energy sector, we demonstrate a commitment to further increasing the efficiency of facilities and the gradual shift to renewable energy sources. We support sustainable mobility concepts and promote 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. 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.

The following exclusion criteria apply:

- We do not provide direct financing for coal mining, oil and gas production or fossil-fuel power plants.
- Commodities that are explicitly excluded in commodity trading (CTF) include: coal for electricity production (thermal coal), crude and heavy oil, bitumen/asphalt, asbestos, uranium, precious woods, live goods, diamonds, rare earth metals, perishable goods and non-certified palm oil. 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.

ZKB environmental loan

Thanks to our ZKB environmental loans, we have supported environmentally friendly construction and renovation for more than 30 years. The product 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. The prerequisite is an actual sustainability effect, which can be demonstrated in several ways: through a Minergie certificate, through a cantonal building energy certificate (GEAK), through a pioneering project with particularly innovative construction measures or by achieving specific energy efficiency indicators based on individual energy-efficiency upgrades (e.g. installation of a photovoltaic system).

In order to achieve an even broader impact with the ZKB environmental loan, we expanded the product in September 2023. The ZKB environmental loan may now be taken out several times for all property categories and beyond the Zurich economic area. In particular, we would like to promote staged and coordinated renovation measures. In addition, the installation of an e-charging station is now also covered by the ZKB environmental loan. Since 2022, the ZKB environmental loan has also been available to farmers taking steps to achieve net zero by 2050. For example, investments for slurry tank ventilation systems, biogas plants, centralised combined heat and power plants for wood combustion and pyrolysis facilities can benefit from an interest rate reduction.

Efforts aimed at raising property owners' awareness of the topic of sustainable renovation do not just begin when discussing a renovation project's financing, but even before the renovation is planned. Interested parties can find a wide range of information and tips on environmentally friendly construction and modernisation at [zkb.ch](https://www.zkb.ch). Visitors can register for a personal consultation at any time.

We discuss the long-term building strategy with our clients in a personal advisory consultation. We point out the advantages of energy-efficient building renovation to property owners who have an older property with renovation potential and explain some possible approaches. We discuss upcoming or planned renovations with them and provide them with a digital overview of the estimated investment timeline and amounts for individual parts of the building. This helps property owners to recognise their financing requirements and motivates them to address the issues of maintaining their property's value, living comfort and energy efficiency. Last but not least, we are also contributing to the long-term security of the capital invested by our clients.

The result of our endeavours can be seen in the fact that the volume of financing through ZKB environmental loans has more than doubled in the last three years due to individual energy-efficiency measures.

In 2023, the total volume of ZKB environmental loans taken out stood at CHF 1.34 billion.

Promotion of energy-efficient renovations

Energy-efficiency modernisation approach



¹¹ Cantonal building energy certificate

Promotion of energy-efficient renovations

Together with Elektrizitätswerke Zürich (EKZ) and the Building Department of the Canton of Zurich, we have been successfully running the “starte!” programme since 2013, supporting homeowners in all aspects of energy-efficient building modernisation. At the heart of the programme is a public information event, which has already been held in 100 municipalities. We put property owners interested in refurbishment in contact with a GEAK expert (cantonal building energy certificate) in the region to have a GEAK Plus report drawn up. The GEAK expert analyses the property on site and identifies weak points and energy savings potential. The proposed investments are listed in such a way that the costs and benefits are transparent and the measures can be carried out in sensible phases. This provides our clients with an objective basis for decision-making and lets them know what they can expect to save on their energy costs even before the renovation. The costs for the advisory report are covered by the bank when you take out a ZKB environmental loan – as are the Minergie certification costs.

We launched an offer for heating replacement consultations back in 2020. In cooperation with EKZ and the cities of Zurich and Winterthur, we offer our clients in the Canton of Zurich who own a single-family house or multi-family house with oil or gas heating systems a free and independent heating replacement consultation.

Since its launch, over 1,900 clients have already benefited from this offer. Our analyses show that around 40 percent of the clients surveyed who have taken advantage of our heating replacement consultations switch to a modern heating system within two years.

Advisory services for SMEs

SMEs are also increasingly confronted with questions relating to sustainability issues, especially as suppliers to large companies that demand CO₂ targets along the supply chain, for example. Increased energy and raw material prices are also weighing on SMEs. We want to actively help companies tackle these challenges and accompany them on their way to a sustainably successful future with a new integral range of advisory services. Our offering combines engineering and financing expertise and provides our corporate clients with recognised experts from the Reffnet.ch network. Reffnet.ch is a Swiss-wide network accredited by the federal government that has many years of experience in providing sustainability consulting to companies. We successfully tested the new offering on the market in the year under review. The participating SMEs rated the results of the consultation, individual measures to reduce their environmental impact and to cut costs or improve efficiency as very positive and beneficial.

Sustainability-linked loans for large companies

For large companies, we have been offering a sustainability component for bilateral and syndicated loans since 2021.

In the case of financing with a sustainability component, the interest rate depends on the borrower's sustainability performance. If it improves, the interest rate falls; if it deteriorates, the interest rate rises. Our clients have the option of linking the interest rate to an ESG rating from an established rating provider or, alternatively, to individual sustainability targets. When defining the sustainability component, we attach great importance to the credibility of the agreed-upon sustainability impact:

for example, we only accept sustainability ratings from renowned and independent rating providers. Clients who wish to link their interest rate to individual sustainability targets must fulfil the minimum requirements for sustainability targets defined by us and the Sustainability Linked Loan Principles (SLLP) of the Loan Market Association (LMA) when setting their sustainability targets.¹² In addition, these targets are set with the involvement of an independent external party with proven expertise (“Sustainability Coordinator”). We specify which providers we accept as Sustainability Coordinators. Target achievement must be verified by an independent auditor. For bilateral loans, we also determine the minimum fluctuation range, i.e. the step up/step down of the interest rate due to a change in the sustainability rating or depending on target achievement. In the case of syndicated loans, we are guided by market practice.

The offer enables us to enter into a stronger strategic dialogue with clients and to raise their awareness of sustainability issues in a targeted manner. The current portfolio of sustainability loans for large companies amounts to around CHF 1.5 billion.

Sustainable bonds (ESG-labelled bonds)

Zürcher Kantonalbank is one of the leading banks in the structuring and placement of sustainable bonds on the Swiss capital market. It acted as lead manager in 15 transactions, placing sustainable bonds totalling around CHF 1 billion.

Bonds can be assigned different sustainability labels. Two main types have established themselves on the market in recent years:

- Bonds with restricted use of proceeds that explicitly finance projects with sustainable targets, e.g. green, social or sustainability bonds
- Sustainability-linked bonds (SLB), which provide for a higher interest rate if the issuer does not achieve pre-defined sustainability targets.

Issuers are guided by the recommendations of the International Capital Market Association (ICMA), among others. At the beginning of October 2023, the EU Parliament adopted its own voluntary green bond standard based on the EU taxonomy. Typically, compliance with the selected standard is confirmed by external auditors.

In 2023, sustainable bonds totalling CHF 8.48 billion were issued on the Swiss capital market. Of this, CHF 5.15 billion is attributable to the international segment and CHF 3.33 billion to the domestic segment.

One in every ten new bonds issued on the Swiss capital market had a sustainability label. This is usually used to directly or indirectly finance environmentally friendly buildings. Other uses include the promotion of clean transportation and renewable energy.

¹² lsta.org/content/sustainability-linked-loan-principles-sllp/

6.1.2 Responsible investing – environment

For our investment business, we are guided by the United Nations' six Principles for Responsible Investment (UN PRI), and we report on them annually. In addition, our Asset Management division joined the Net Zero Asset Managers Initiative.

In our active investment solutions, we manage assets in accordance with the ambitious ZKB sustainability standard. The ZKB sustainability standard includes at minimum the sustainability approaches of CO₂e reduction, ESG integration, avoidance of controversies and the pursuit of a stewardship approach. The active investment solutions relate to portfolio management mandates and investment funds, with the exception of indexed, individualised and third-party managed investment solutions and investment funds in the area of alternative investments.

We also offer passive (indexed) investment solutions with a sustainability approach.

Our ambitious ZKB sustainability standard is also factored into investment proposals, in line with the designation, when providing standardised investment advice. The investment decision lies with our clients.

We provide sustainability training to our client advisors to support our clients on a wide range of matters related to sustainability.

CO₂ targets in the investment business

As part of our sustainability standard for active investment solutions,¹³ we pursue a CO₂e reduction for investments in traditional asset classes.

In addition, our Asset Management division has joined the Net Zero Asset Managers Initiative and has around 25 percent of assets under management committed to the 1.5°C climate target, which calls for an annual reduction in CO₂e intensities of at least 7.5 percent. A further 20 percent of the assets in our Asset Management division pursue a <2°C climate target. For more detailed information, please refer to our Climate Report 2023 (zkb.ch/reports).

Our implementation measures

Below we describe the measures that are being taken with regard to the individual products and services and which processes they will follow in order to achieve the defined climate targets:

Zürcher Kantonalbank systematically integrates ESG criteria in the management of actively managed asset management mandates from the Asset Management division of Zürcher Kantonalbank and standardised wealth management from the Investment Solutions division of Zürcher Kantonalbank as well as in the collective capital investments of the "Responsible" or "Sustainable" product lines of Swisscanto (product brand for collective capital investments of the Zürcher Kantonalbank group). The explanations below apply to direct property investments by the Asset Management division.

¹³ Definition of "active investment solutions": Relates to portfolio management mandates and investment funds, with the exception of indexed, individualised and third-party managed investment solutions and investment funds in the area of alternative investments.

The voting behaviour of our Asset Management is published at [swisscanto-fondsleitungen.com/en/investment-stewardship.html](https://www.swisscanto-fondsleitungen.com/en/investment-stewardship.html). In addition, our Asset Management division conducts a direct dialogue with companies in which our funds are invested and is involved via the UN PRI collaboration platform and investor initiatives. With respect to the standardised wealth management services provided by the Investment Solutions division, dialogue with companies in which our clients are invested, participation in investor initiatives and the exercise of voting rights take place indirectly via the selection of external asset managers.

When it comes to the investment activities of the actively managed “Responsible” asset management mandates of Asset Management at Zürcher Kantonalbank and the actively managed collective capital investments of Swisscanto in the traditional asset classes with a “Responsible” approach and the standardised wealth management with the “Basic” designation, we are guided by the Paris Agreement and generally aim to reduce the CO₂e intensity by at least 4 percent per year.

The sustainable collective investment schemes of Swisscanto’s “Sustainable” product line and the standardised wealth management of the “Sustainable (ESG)” designation go one step further. These aim to achieve a CO₂e reduction of at least 7.5 percent per year and are based on the 1.5°C climate target set out in the Paris Agreement. The thematic Swisscanto funds in Asset Management (Water & Climate) are an exception to this. Because the greenhouse gas emissions benchmark defined in the prospectus is not representative of the investment universe for these products, only a <2°C reduction path can be implemented.

Further milestones

Asset Management

FNG label for selected Swisscanto funds:

Four sustainable funds in our Sustainable product line have been awarded the Forum Nachhaltige Geldanlagen (FNG) label: the Swisscanto (LU) Equity Fund Sustainable, the Swisscanto (LU) Equity Fund Sustainable Emerging Markets, the Swisscanto (LU) Bond Fund Sustainable Global Credits and the Swisscanto (LU) Portfolio Fund Sustainable Balance (EUR). The four funds were all awarded the maximum rating of 3 stars for a “particularly sophisticated and comprehensive sustainability strategy” and thus meet the quality standard for sustainable investments in German-speaking countries developed by Forum Nachhaltige Geldanlagen e.V. (FNG).

Direct property investments by Asset Management:

For direct property investments that are part of Asset Management’s CO₂e target, we are guided by target values that are compatible with the Paris Agreement. The specific measures for achieving the reduction path follow a three-pronged strategic approach consisting of OPEX, CAPEX and new builds.¹⁴ OPEX measures include, for example, systematic operational optimisation in the properties and CAPEX measures include the replacement of fossil

¹⁴ OPEX = Operational Expenditures (operating expenses, i.e. costs for raw materials and supplies, personnel costs, energy costs and costs for sales and administration), CAPEX = Capital Expenditures (investment expenditure for longer-term assets)

fuels with renewable resources. Furthermore, CO₂e-intensive properties are also managed through targeted transaction activity.

Standardised wealth management

In 2023, the ZKB sustainability standard was implemented in standardised wealth management in the Investment Solutions division as a further development of the sustainability approach, transparency towards clients was increased and the training programme for client advisors was expanded.

As part of the ZKB sustainability standard, the “Sustainable (ESG)” designation was geared towards the ambitious 1.5°C climate target and the “Basic” designation towards the “below 2°C” climate target in accordance with the Paris Agreement. The analysis of the stewardship activities engaged in by the asset managers of the collective investment schemes used in the mandates was further developed across all designations as part of the due diligence process in order to achieve better comparability and greater transparency.

Sell-side research

Since 2022, our independent sell-side research has been evaluating the sustainability of 141 public companies currently listed in Switzerland (98 percent of the market capitalisation of the Swiss Performance Index). Sustainability and, in particular, the company’s climate targets are an integral part of the company analysis. The ESG approach of our sell-side research takes into account not only the current situation with regard to ESG factors, but also the measures taken by the companies and the expected trends.¹⁵

¹⁵ More on our methodology can be found in our [ESG compass](#).

6.1.3 Responsibility in our own operations – environment

The following figures and information relate to the commercial properties of Zürcher Kantonalbank in Switzerland. These comprise the parent company and Swisscanto Holding Ltd. CO₂ emissions of Zürcher Kantonalbank Österreich AG, Zürcher Kantonalbank Finance (Guernsey) Ltd., ZKB Securities (UK) Ltd. and the representative offices are not available at group level.

Zürcher Kantonalbank pays attention to sustainability when procuring products and services for its own operations. It expects its suppliers to comply with ecological and social standards. To achieve this, it favours a regional value chain wherever possible.

CO₂ targets in our own operations

Our environmental programme defines the climate targets related to our operations. The aim of the environmental programme is to continuously reduce CO₂e emissions. As part of this programme, we have been able to reduce our carbon footprint by 68 percent, from 7,040 CO₂e tonnes to 2,263 CO₂e tonnes, since 2010. The goal of our 2023–2030 environmental programme is to reach net zero by 2030. We offset 100 percent of the remaining unavoidable CO₂e emissions and are increasingly using negative emissions technologies (NET).

Operational targets by 2030: VfU indicators (in tonnes of CO₂e)

	Actual value 2023	Reference year ¹⁶ 2017	% change in actual value compared to the reference year	Target 2030 ¹⁷
Total emissions (t CO₂e)	2,263	3,987	(↓ 43)	1,800
Building electricity consumption (t CO ₂ e)	63	180	(↓ 65)	
Building heat consumption (t CO ₂ e)	811	1,602	(↓ 49)	
Water consumption (t CO ₂ e)	31	56	(↓ 45)	
Cooling and extinguishing agents (t CO ₂ e)	214	184	(↑ 16)	
Waste (t CO ₂ e)	104	124	(↓ 16)	
Business travel (t CO ₂ e)	629	881	(↓ 29)	
Paper (t CO ₂ e)	410	960	(↓ 57)	

¹⁶ 2015–2017 environmental programme

¹⁷ 2023–2030 environmental programme

Our implementation measures

Environmental management system

Our environmental management system focuses on banking operations, our properties, procurement and the downstream impact of products and services. The environmental management system has been certified according to ISO 14001 since 2002. In this way we aim to achieve a continuous improvement in our use of resources and ensure environmental sustainability in our banking operations. Reports on the results and any measures arising from the audits are submitted to the Executive Board.

Removal strategy

In addition to taking further measures to reduce emissions, we are building a removal portfolio with natural and technical Negative Emission Technology (NET) certificates for the unavoidable emissions recorded, to achieve net zero by 2030 in our own operations.

Environmental indicators according to GRI	GRI	Actual value 2023	Reference year 2017	% change in actual value compared to the reference year	2022	2021
Total greenhouse gas emissions (t CO ₂ e)	305	2,263	3,987	(↓ 43)	2,253	2,853
Scope 1 and 2 emissions (t CO ₂ e) (Scope 2 market-based: effective supplier mix)	305	969	1,149	(↓ 16)	1,002	1,041
Indirect Scope 3 CO ₂ e emissions (t CO ₂ e)	305	1,294	2,837	(↓ 54)	1,251	1,812
Total building energy consumption (MWh)	302	25,759	38,313	(↓ 33)	26,919	29,043
Share of green electricity from naturemadestar ¹⁸ or equivalent quality		100	100	(0)	100	100
Paper consumption (kg per FTE)	301	99	178	(↓ 44)	127	144
Proportion of recycled paper (%)	301	93	91	(↑ 2)	93	81
Waste in kg per FTE	306	76	124	(↓ 61)	80	89
Waste to landfill (%)	306	0	0	(0)	0	0
Waste for recycling (%)	306	50	60	(↓ 17)	53	54
Water consumption (10 ³ m ³)	303	51	80	(↓ 36)	46	47

¹⁸ naturemade.ch/de/quetesiegel.html

Environmental figures

Category		GRI	2023	2022	2021
Building energy	Total building energy consumption (MWh)	302	25,759	26,919	29,043
	Electricity consumption (MWh)		17,709	17,978	18,092
	Heat consumption (MWh)		8,051	8,941	10,951
	Consumption of fossil fuels (MWh)		957	1,260	1,252
	Consumption of district heating (MWh)		4,337	4,602	5,905
	Renewable building energy consumption (MWh)		2,176	3,080	3,794
Business travel	Total business travel (10 ³ km)	302	5,034	3,284	1,814
	Air travel (km)		3,515	1,896	512
Paper	Total paper consumption (t)	301	525	641	709
	Recycled paper (t)		486	597	573
	Fresh fibre paper (ECF and TCF) (t)		39	44	136
Water	Water consumption (10 ³ m ³)	303	51	46	47
Waste	Total waste produced (t)	306	402	403	440
	Waste for recycling (t)		202	214	237
	Waste for incineration (t)		200	189	203
Cooling & extinguishing agents	Coolant & extinguishing agent losses (kg)		231	111	40
Greenhouse gas emissions	Direct and indirect emissions (t CO ₂ e)	305	2,263	2,253	2,853
	Direct emissions Scope 1		512	487	420
	Indirect emissions Scope 2 (market-based)		457	515	621
	Indirect emissions Scope 3		1,294	1,251	1,812
Environmental indicators per FTE		Unit	2023	2022	2021
Total building energy consumption (MWh)		kWh/FTE	4,857	5,038	5,881
Business travel		km/FTE	949	651	398
Paper consumption		kg/FTE	99	127	144
Waste		kg/FTE	76	80	89
Water consumption		litres/FTE	9,546	9,169	9,504
Greenhouse gas emissions (CO ₂ e)		kg/FTE	427	447	578

Biodiversity

Climate change is accelerating the loss of biodiversity worldwide. The decreasing capacity of natural carbon sinks is in turn fuelling climate change. Biodiversity loss and climate change are now considered “twin crises”. Over half of global GDP is dependent on natural capital. With regard to the topic of nature and biodiversity, Zürcher Kantonalbank has defined the following exclusion criteria in its sustainability policy for the financing business:

- Non-certified agriculture and forestry abroad that involves deforestation of tropical forests and/or damage to areas of high conservation value
- Mining projects with particularly destructive mining methods, such as mountaintop removal
- Illegal, intentional water/groundwater pollution
- Damage to 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

Biodiverse greening at branches: We have collaborated in recent years with an external partner to create more than 20 biodiverse gardens at our branches, covering a total area of around 7,500 m². We concluded the project in 2023 with an exhibition at head office. Further projects to promote biodiversity will follow.

Promotion of valuable natural areas in the Canton of Zurich: Zürcher Kantonalbank is committed to promoting valuable natural areas. It has financially supported numerous renaturation projects for the Canton of Zurich and has been running the Grüningen botanical garden since 1977. The educational and recreational offerings of the Grüningen Botanical Garden promote the quality of life in our canton and thus support the fulfilment of our public service mandate.

7 Social issues and human rights

As part of our social responsibility, we place a special focus on social issues and human rights. We address the following areas:

We fulfil our social responsibility primarily by providing financial services and financial literacy.

This includes access to financial services, while also factoring in the specific target groups and needs in accordance with our public service mandate.

Furthermore, the consideration of social and human rights issues is relevant in the context of our financing and investment business. (7.1)

We use a two-pronged approach toward taking responsibility in our own operations: We integrate the topic of human rights and social issues into procurement and make a positive contribution to the Canton of Zurich through our community and social commitment. (7.2)

Section overview

- Social risks
- General conditions
- Our implementation measures for social responsibility

7.1 Social issues and human rights in our financial services

7.1.1 Access to financial services and financial literacy

7.1.2 Responsible financing – social issues and human rights

7.1.3 Responsible investing – social issues and human rights

7.2 Responsibility in our own operations – social issues and human rights

7.2.1 Social issues and human rights in procurement

7.2.2 Community and social commitment

Social risks

Zürcher Kantonalbank defines social risks as the risk of reputational damage or financial losses that may result from transactions, products or services in which a party is involved in socially sensitive activities. Social risks are assessed as part of the assessment of individual transactions in the lending and trading business. In the financing business, individual transactions are analysed as part of the credit risk. The creditworthiness analysis includes both the applicant's creditworthiness and credit standing. Aspects of sustainability, such as social risks, are an important part of the risk assessment performed when reviewing financing for companies with global operations. Our internal regulations exclude the financing of certain commodities (see section 5.2). Human rights issues in the raw materials sector are discussed with clients based on internationally recognised industry standards within the scope of special due diligence reviews.

General conditions

Our operational framework is defined by the Guidelines for the Fulfilment of the Public Service Mandate, which describe our business activities. As a universal bank, Zürcher Kantonalbank also observes the principles of sustainability and the recognised rules of risk management when fulfilling its service mandate. The sustainability-related requirements for business activities in the areas of human rights and equal opportunities, commitment to health and commitment to financial security are defined and further specified as part of the publicly available sustainability policy (zkb.ch/sustainability).

Transactions that are prohibited for the purpose of combating money laundering, terrorist financing and corruption are set out within the framework of internal guidelines.

Our implementation measures for social responsibility

Zürcher Kantonalbank provides the people and the economy in the Canton of Zurich with the services of a universal bank. These include, in particular, payment transactions, saving, investing, financing, retirement planning, financial planning, taxes and succession planning. Within our sphere of influence, we respect and support the international human rights provisions of the United Nations that are binding in Switzerland, including the right to life, liberty, security, fair working conditions, equal opportunities and children's rights. In the context of financing and investment decisions, human rights issues form part of our reputational risk assessment for globally active companies.

In our dealings with our clients, employees and in public engagements, we are committed to equal rights for all people, regardless of origin, race, gender, age, language, social status, income, religion, political conviction or physical, intellectual or mental disability.

We make our contribution to social responsibility through our strong and, in particular, locally rooted social commitment, and by ensuring comprehensive access to financial services, especially for target groups with specific needs.

7.1 Social issues and human rights in our financial services

The following describes how we implement our contribution to social responsibility in our financial services.

7.1.1 Access to financial services and financial literacy

Zürcher Kantonalbank was founded in 1870 to offer affordable loans to agricultural and commercial businesses and to meet the savings and investment needs of broad segments of the population.

When fulfilling our public service mandate, we pay particular attention to the concerns of small and medium-sized enterprises, employees, agriculture and public-sector entities. We also promote home ownership and affordable housing. Our strong roots in the Canton of Zurich are reflected in our high market penetration among small and medium-sized companies and private clients in the Canton of Zurich.

We cover the basic needs of our clients. They can benefit from our comprehensive range of products and services. We provide them with access to our financial services across all channels, regardless of whether in the physical or digital world. Our promise is that we have the densest branch network in the Canton of Zurich and guarantee the supply of cash in all branches.

Small and medium-sized enterprises (SMEs)

With a view to strengthening the local economy, we are focussing on SMEs at all stages of the business life cycle: from start-up support aimed at promoting entrepreneurship in cooperation with the "GO! Mikrokredite" association (a microloan provider), to the ongoing support provided to SMEs, up to and including support on matters related to business succession planning. Over 90 percent of our corporate clients are SMEs.

In the year under review, Zürcher Kantonalbank provided more than 3,000 non-cost-covering microloans of less than CHF 200,000 for SMEs.

Retail clients

We have the largest physical branch network in the Canton of Zurich.

Zürcher Kantonalbank announced in the year under review that it would eliminate annual fees for private accounts in CHF and debit cards for retail clients as of 1 January 2024. In line with our public service mandate, we thus aim to send a signal and give back part of our success. This benefits all existing and future retail clients, regardless of their assets or digital affinity.

We also offer various services, such as pension advice, free of charge. We additionally have low-cost banking offers for students, financial incentives to promote the purchase of a first home and lifetime mortgages for clients in the third phase of life.

As the bank that's "Close to you" in the Canton of Zurich, we are committed to families and children. The wide range of services and offers for families focuses on three main topics:

- **Financial tips for parents:** We show what parents should consider from a financial point of view. We explain the costs that families face and give tips on how to save money.
- **Education about money:** We also provide assistance with key questions relating to financial education. For example, we support "FinanceMission" and "FinanceMission Heroes". "FinanceMission" is a commitment by the Association of Swiss Cantonal Banks (ASCB), the Swiss Teachers' Association (LCH) and the Syndicat des Enseignants Romands (SER) to improve the financial literacy of young people. "FinanceMission Heroes" is a free educational game that enables young people to practise handling money. Greater financial literacy also means lower youth indebtedness. Our common goal is to teach young people how important it is to manage money responsibly through "FinanceMission".
- **Commitment:** Families benefit from our sponsorship commitment in the areas of the environment and society. Clients can experience various excursions at a lower price.

Lifetime mortgage

Many homeowners who are about to retire fear that their bank will no longer continue their mortgage after retirement. We remain a reliable partner for our clients in the third phase of their life and work with them to find a suitable financing solution – whether it's for the continuation of a mortgage, the purchase of an age-appropriate home or an increase in the mortgage for a renovation. Clients who have always met their mortgage obligations and whose mortgage does not exceed two-thirds of the value of their property will also receive this promise in writing.

Pension advice

The foundation on which the three pillars of retirement planning are built is currently undergoing structural change. Our social security schemes face the challenge of ensuring the benefits to be provided in the future despite increasing life expectancy, a demographic shift towards an ageing society as well as persistently low interest rates.

We offer advisory services and financial products to raise awareness among our clients and support them by providing solutions that fit their personal situation. For an initial analysis of where they stand in terms of retirement planning, Zürcher Kantonalbank offers extensive information and self-service tools at zkb.ch. This way, they can easily and comprehensively determine what their own retirement planning looks like as well as which pension topics are particularly relevant and should be actively addressed as a result. The digital tools offer our clients an easy introduction to the complex topic of retirement planning.

Our tools, which can be found under zkb.ch:

- Retirement calculator
- Inheritance calculator
- Pillar 3a calculator
- Tax calculator

We also currently offer free basic advice on the topics of retirement, inheritance and bequests. Specific questions can be addressed in more detail in a consultation with an expert if required.

Our bank's financial advisory team launched a new TV format with TeleZüri in 2023: The topics of money and pensions are presented in a simple and easily understandable way by four of our bank's experts in around 80 programmes. Our experts from the financial advisory team give viewers practical tips for everyday life on the topics of money and retirement planning.

ZKB business succession planning

Every year, around 4,000 companies in the Canton of Zurich address the topic of business succession planning. These considerations usually result in the company being taken over by a member of the family or somebody from inside the company, although a sale of the company to a third party is happening with growing frequency. Without a succession solution, the only option for a company is to close or liquidate in as orderly a manner as possible. Successful succession planning is also crucial for the economy because it secures jobs and ensures the retention of entrepreneurial expertise.

Our offering:

- Check: a free assessment of the company's current situation with regard to succession planning
- Classic: customised recommendation and specific action plan
- Premium: individual project support for comprehensive business succession planning

We also offer an online succession check on our homepage, which can be used by anyone.

Female finance

Women in Switzerland are more at risk of poverty in old age than men. Historically, in Switzerland the man in a partnership is often responsible for long-term financial decisions. Nine out of ten women want transparency about finances in their partnership.

Our bank offers various physical events with training conducted by experts either on site or via webcasts. This enables us to advise our clients even better and cater more specifically to their individual needs. We want to motivate and empower women to address issues related to their own finances so they can build up financial knowledge and gain confidence in the process. We want to achieve this goal by raising awareness, lowering barriers to entry and developing information and training formats as well as organising appropriate events:

- In the past, we have organised a webcast on the topic of “Women and pensions”, which dealt with various life situations (part-time work, marriage, divorce, cohabitation) as well as the 3-pillar system and pension fund statements. Around 1,800 women either streamed the programme live or watched the replay afterwards.
- The “Women and Finance” series of events was held twice in 2023.

Information and promotion of financial literacy

We regularly inform our clients about their finances through our investment and client reports. There are also tax and cost transparency reports. The tax report contains all the relevant data for tax returns. The cost transparency report is a report for pension funds that provides transparency regarding the asset management costs paid.

We support various initiatives to promote financial literacy. We are actively involved in further education and efforts to raise awareness among employees and clients. By onboarding employees, providing training and promoting general awareness and empowerment, we ensure that our employees understand their responsibility to comply with our policies and the importance of our public service mandate.

Initiatives for accessibility

We promote accessibility for people with disabilities or impairments. Accordingly, we organise all content on our website in such a way that all users can easily find and use the information they require. We also promote accessibility in our branches and at our ATMs by providing wheelchair-accessible entrances.

Physical proximity is and remains an important driver of our success. We are committed to having the largest branch network in the Canton of Zurich and will modernise our branches by 2030.

The bank can also be reached by phone, via the eBanking and eBanking Mobile channels as well as through social media.

Since August 2023, we have been offering new clients the opportunity to digitally open a client relationship.

For clients of Zürcher Kantonalbank domiciled in Switzerland who would like to have their cash in the desired currency sent directly to their home by post, we offer cash delivery to their home. In addition to Swiss francs, we offer around 60 different currencies for delivery.

7.1.2 Responsible financing – social issues and human rights

The publicly available sustainability policy and the implementing internal guidelines (see section 5.2) describe respect for human rights and social issues and define exclusions.

Exclusions for the financing business concerning social issues and human rights

We do not provide financing for clients whose business activities relate to the following:

- child labour and forced labour in violation of the human rights of the United Nations
- violations of the rights of indigenous people
- gambling abroad and unlicensed gambling in Switzerland

We do not provide financing for the following:

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

Contribution to strengthening social and economic coherence

We offer a wide range of products in line with our service mandate. For example, we run a pawnbroking agency and take on non-cost-covering microloans. We support SMEs and innovative start-ups by providing financing and specific support measures. First-time buyers of residential property benefit from the ZKB starter mortgage.

ZKB starter mortgage

According to the public service mandate, the promotion of home ownership is one of the special needs that exists in the Canton of Zurich (purpose paragraph of the Zürcher Kantonalbank Act). Zürcher Kantonalbank introduced the 3-phase mortgage back in 1985 as a result. It was renamed ZKB starter mortgage and restructured in 2005. First-time buyers of a residential property benefit from a reduced interest rate on a ZKB fixed-rate mortgage for up to 15 years. The ZKB starter mortgage portfolio amounted to 7.3 billion in 2023.

ZKB WohnPlus mortgage

In addition to promoting home ownership, the promotion of affordable housing is one of the other tasks anchored in the public service mandate of Zürcher Kantonalbank. Zürcher Kantonalbank is valued as a long-standing and reliable partner in the industry. Since 2022, Zürcher Kantonalbank has offered ZKB WohnPlus mortgages to housing cooperatives that provide special social services. While the ZKB environmental loan promotes and supports ecological sustainability, the ZKB WohnPlus mortgage focuses on social aspects.

Non-profit housing developers can benefit from an interest rate reduction of up to 0.5 percent on their fixed-rate mortgages. To qualify for a ZKB WohnPlus mortgage, a housing development must be at least 15 percent below the market rent. The evaluation model also includes 28 qualification criteria that are applicable to non-profit housing developers and their housing developments. Examples include the social mix in the housing development itself or neighbourhood integration. The granting criteria and the evaluation model are based on established standards (including the United Nations Sustainable Development Goals, the Swiss Sustainable Building Standard and the 10 guidelines for non-profit housing in Switzerland). If a cooperative meets the defined requirements, Zürcher Kantonalbank supports this commitment by offering financing at discounted conditions. The interest rate reduction is granted during the first five years of the term. The ZKB WohnPlus mortgage has two discount levels, which are applied depending on the degree to which the criteria are met (maximum of 0.3 percent at level 1 and maximum of 0.5 percent at level 2). If level 1 is initially achieved at the beginning of the term, the housing developer has the option of providing evidence of the fulfilment of further criteria and having them checked during the term. If sufficient criteria are then met for level 2, the interest rate is reduced again by a maximum of 0.2 percent until the end of the fifth year. This creates an incentive to achieve further improvements in social services during the term of the mortgage.

The 2023 portfolio of the ZKB WohnPlus mortgage is currently in the high double-digit million range.

Promoting start-ups

Zürcher Kantonalbank is one of the largest venture capitalists in Switzerland. We have been supporting Swiss start-ups through the provision of equity or convertible loans for 18 years and, in doing so, have made a significant contribution to the development of the local start-up ecosystem. We have been financing innovative start-ups since 2005, particularly in the early stages of the business life cycle. However, even after a start-up has successfully entered the market, they often lack sufficient financing options that would enable them to stand on their own two feet or to make investments in further growth. This is a major challenge for innovative young Swiss companies. We have expanded our offering as a result and, since 2021, have been making further investments aimed at providing support to companies in the scale-up phase.

Zürcher Kantonalbank's Asset Management division launched a private equity growth fund in 2018 that invests in promising young companies in the next phase of their growth; working together with that fund, we offer solutions with equity capital at every stage – from start-up and development through to scaling and growth. With the expertise of a universal bank, Zürcher Kantonalbank thus provides start-ups with a comprehensive range of financing and services along the entire life cycle.

As one of the largest and most active start-up investors in Switzerland, we provided young companies with a total of CHF 15.8 million in risk capital in 2023.

We also comprehensively promote the start-up ecosystem in the Zurich economic area. As part of the Technopark Zurich Foundation, for example, we award an annual prize to a technical project just about to enter the market. This award, the "ZKB Pionierpreis Technopark", is worth CHF 100,000 and is one of the most important innovation prizes for start-ups in Switzerland. Other examples are Technopark Winterthur, Bio-Technopark Schlieren and GROW Wädenswil.

Founding a company

We help clients set up their companies and actively assist young entrepreneurs as they build their business. Once the company has been founded, we identify optimisation potential in the area of liquidity and retirement planning at an early stage and offer suitable financing options.

7.1.3 Responsible investing – social issues and human rights

Zürcher Kantonalbank has a strong tradition of responsible investing. Since 2009, we have been guided by the United Nations' six Principles for Responsible Investment (UN PRI), and we report on them annually. The publicly available sustainability policy describes how the material topic of social issues and human rights is considered in the investment business, particularly with respect to the exclusion criteria for our active and passive investment solutions in Asset Management and for active investment solutions in standardised wealth management.

In addition to section 6.1.2 (Responsible investing – environment), our sustainable investment solutions include the avoidance of UN Global Compact violations as part of the avoidance of controversies as well as other exclusion criteria in the corresponding investments in accordance with the product-specific requirements.

7.2 Responsibility in our own operations – social issues and human rights

In our own operations, the requirements are anchored in internal regulations, directives and processes in order to minimise potential negative effects. In operations, this is relevant in the procurement of goods and services. We counteract potential negative effects on society and the population. We focus on the positive impact we want to have on society, particularly through our profit distribution and our community and social commitment.

7.2.1 Social issues and human rights in procurement

For us, social issues and human rights in the context of our own operations include:

- respect for and consideration of the topic in the context of our procurement system (7.2.1)
- promoting social coherence through our corporate citizenship activities (7.2.2)

General conditions

In accordance with our sustainability policy, during procurement we ensure that products are manufactured, used and disposed of in the most resource-efficient, environmentally friendly and socially responsible way possible. As part of our procurement policy, we expect our suppliers to comply with the applicable national laws and regulations, the minimum standards of the industry as well as the conventions of both the International Labour Organization (ILO) and the United Nations with regard to human and employee rights. By prioritising regional suppliers, we aim to strengthen added value in the Zurich economic area and keep transport routes short.

We also have guidelines for organising events, which contain measures and instructions on how to make ZKB events more sustainable.

Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (DDTrO)

Child labour

As part of its central purchasing, Zürcher Kantonalbank procures its products and services mainly from companies from countries whose due diligence is classified as “Basic” by the UNICEF Children’s Rights in the Workplace Index, therefore indicating a low risk of child labour. In addition, Zürcher Kantonalbank purchases products and services from companies that comply with ILO Conventions No. 138 and 182 and the ILO-IOE Child Labour Guidance Tool for Business of 15 December 2015, as well as the OECD Due Diligence Guidance for Responsible Business of 30 May 2018 or the UN Guiding Principles on Business and Human Rights. Consequently, the central purchasing department of Zürcher Kantonalbank falls under the exceptions of Art. 7 or 9 of the DDTrO, which exempts it from the due diligence and reporting obligations.

Zürcher Kantonalbank has processes in place to ensure that no precious metals (gold, silver, platinum or palladium) are offered if they are suspected of being linked to child labour. It only sells its clients precious metals that meet the relevant market standards. Specifically, these are the ‘Good Delivery Rules’ of the London Bullion Market Association (LBMA) for gold and silver and the ‘Good Delivery Rules’ of the London Platinum and Palladium Market Association (LPPM) for platinum and palladium. This means that Zürcher Kantonalbank also fulfils the requirements of the DDTrO and meets its obligations accordingly.

Minerals and metals

Zürcher Kantonalbank only sells its clients precious metals that meet the relevant market standards. Specifically, these are the “Good Delivery Rules” of the London Bullion Market Association (LBMA). This means that Zürcher Kantonalbank also fulfils the requirements of the DDTrO and meets its obligations accordingly. It uses internal processes to ensure that the relevant regulatory requirements are met. These processes are documented accordingly and appropriate checks are carried out.

7.2.2 Community and social commitment

Zürcher Kantonalbank is primarily active in the Zurich economic area. As the bank that's "Close to you", we are in direct and close contact with the population. The people of Zurich benefit from the success of Zürcher Kantonalbank in several ways.

For example, we support the canton and the municipalities with our profit distribution. For the financial year 2023, a total of CHF 528 million was distributed to the canton and its municipalities. As part of the 2030 public service mandate, we are committed to a dividend policy geared towards continuity.

With our support mandate, we are strengthening the Canton of Zurich's competitiveness and quality of life:

- We support the canton's competitive strength as a training centre by training around 400 apprentices, trainees and interns; we support numerous innovation and educational institutes in the Canton of Zurich through our efforts to promote innovation and education, and we promote entrepreneurship through our start-up financing initiative. We are also committed to financial education activities in cooperation with the Association of Swiss Cantonal Banks and Pro Juventute.
- We support the life quality in the Canton of Zurich through our corporate sponsorships and the ZKB Philanthropy Foundation. For example, we protect natural resources in the Canton of Zurich through nature conservation projects (environment) and strengthen social cohesion with a comprehensive commitment to culture and sport (society).

Based on the public service mandate, the group mission statement, the group strategy and the sales strategy, the handling of sponsorships, awards and memberships of the parent company is set forth in the parent company's internal guidelines and responsibilities in this context are defined. Sponsorship partnerships are only entered into with partners whose objectives, culture and philosophy are compatible with the statutory public service mandate and our values.

With over 400 sponsorship partnerships in the areas of the environment, society and the economy, we play an active role in the regional development of communal life in the Canton of Zurich. Information on our commitments can be found at [zkb.ch](https://www.zkb.ch).

8 Employees

This section about employees supplements the section with the same name on pages 59 to 64 of the annual report. All information on employer commitment in the areas of equal opportunity (diversity & inclusion) as well as performance and development is explained in detail there. The compensation report on page 100 et seq. in the annual report provides a comprehensive description of our compensation practices and system.

Section overview

- Risks
- General conditions
- Our implementation measures
 - Training and further education
 - Compensation model
 - Diversity & inclusion
 - Further key figures

Risks

Topics such as the shortage of skilled staff, staff turnover rates or attractiveness as an employer and the impact of these topics on the performance of Zürcher Kantonalbank are analysed on a regular basis. Employees are an important stakeholder group at Zürcher Kantonalbank.

The group's headcount rose by 291 in 2023, from 5,249 to 5,539 full-time positions (FTE). 16 full-time positions were filled by temporary employees. The group employs a total of 6,341 people. 332 employees were at the parent company on a banking or IT apprenticeship or high school internship.

General conditions

As part of the group strategy, the Board of Directors issues internal requirements regarding personnel and compensation at Zürcher Kantonalbank. It also appoints a Compensation and Personnel Committee (CPC), whose duties are set out in the organisational regulations for the group and the parent company. The Compensation and Personnel Committee (CPC) assists the Board of Directors on decisions related to personnel, the human resources strategy, as well as the personnel and compensation policy.

We offer our employees attractive and fair employment conditions and strengthen their personal integrity and security. Our salaries are based on gender-independent job profiles. We have equal pay audited externally every two years and make adjustments where necessary.

Our implementation measures

Training and further education

We are actively involved in further education and raising awareness among employees and clients on topics such as corporate responsibility and sustainability. By onboarding employees, providing training and promoting general awareness and empowerment, we ensure that our employees understand their responsibility to comply with internal guidelines.

To raise our employees' awareness of the bank's environmental programme, we promote local public transport and have entered into partnerships with SBB, ZVV and Mobility Car Sharing. We also organise various internal training courses and themed days and weeks, for example on the subject of waste, to raise awareness among our employees.

We consider it extremely important that our employees continually expand their technical, methodological and social skills. We provide a wide range of internal classes, workshops, podcasts and videos, among other things, as well as the opportunity to attend external training and development courses. In the year under review, we invested around CHF 11.1 million in training and further education (CHF 2,091 per employee). Each employee spent an average of 18.6 hours on internal training and further education. 830 employees (15.6 percent) are currently taking part in a training course. We are continuously expanding our proven learning portal geared toward self-study to ensure that it continues to provide a needs-based range of courses to promote our employees' development and make them fit for the future.

In order to establish an active feedback culture, no mandatory annual employee appraisals are conducted. This allows employees to take responsibility for their own training and further education and actively use a variety of different digital tools to do so. Supervisors support and guide their employees and the team by giving them creative freedom and encouraging dialogue.

Basic training and further education (parent company)

	GRI	2023	2022	2021
Internal training and further education per employee (hours/employee)	GRI 404-1	18.6	16.1	15.5
Share of employees on external courses (in %)	GRI 404-1	15.6	16.9	16.6
Expenditure on further education (in CHF/employee)	GRI 404	2,091	2,161	2,085

Compensation model

The Board of Directors decided to adjust the compensation model of Zürcher Kantonalbank with effect from 1 January 2024. In doing so, it fulfils its responsibility to the owner and the political community. The bank's Supervisory Board is pursuing two core objectives with the adjustment: on the one hand, to fulfil the demands of the owner and, on the other, to carry on with the successful model of Zürcher Kantonalbank as a universal bank.

The compensation model of the parent company will be adjusted along the following lines:

- The Board of Directors has decided to freeze the total variable compensation for the financial year 2023 at the level of 2022, with the increase in headcount being accommodated accordingly.
- The proportion of variable compensation is lower in the new compensation model. Fixed compensation is simultaneously adjusted to a level in line with the market.
- The proportion of variable compensation for members of the Executive Board and key management personnel that is only paid out on a deferred basis is doubled.
- As part of the adjustment of the compensation model, the total compensation at all levels was reviewed with external experts. The Board of Directors has come to the conclusion that the total compensation for a universal bank of the size and complexity of Zürcher Kantonalbank is in line with the market and necessary for the successful continuation of the business model.

Further information can be found in the annual report under compensation report p. 100 et seq.

Diversity & inclusion

Zürcher Kantonalbank is convinced that practising diversity offers real advantages, that mixed teams achieve more and that this increases its attractiveness as an employer. Zürcher Kantonalbank has been focussing on diversity and inclusion for over 10 years. In the financial year 2023, the topic was integrated into the 2030 public service mandate and is therefore part of the balanced scorecard, the bank's strategic management tool. The bank not only focuses on gender diversity, but is also strongly committed to people with disabilities and attaches great importance to the equal treatment of people with different sexual orientations. On 31 August 2021, the Executive Board decided to launch measures to increase the proportion of women in management and set an example by signing the "Advance Diversity Charter". In May 2023, the Executive Board decided to sharpen the focus once again. Zürcher Kantonalbank has set itself gender diversity targets and aims to increase the proportion of women at the second most senior level of management to 20 percent and to 30 percent at the third most senior management level by the end of 2026. To this end, women are promoted in a targeted manner so that internal female candidates have a chance of succeeding in the application process for corresponding management positions. It still holds true that the application process culminates with the best person for the job, regardless of gender, receiving the job offer. In order to strengthen the long-term potential of women within the company, the aim is also to achieve a 50:50 gender ratio in junior management.

To achieve these goals, the Executive Board established the Diversity Steering Committee (DSA) in 2023. This committee defines measures for achieving the targets. The committee meets three times a year. It is chaired by the Executive Board's Diversity & Inclusion Officer, the Head of IT, Operations & Real Estate.

Zürcher Kantonalbank promotes diversity and inclusion through the following internal networks:

- The Mensch* network: A network that includes all employees and raises awareness for the topic of people with disabilities.
- Women's Network: The platform with the guiding principle "By women for women" is dedicated to networking all female employees at Zürcher Kantonalbank.
- Queers & Peers: The LGBTI network "Queers" is for anybody whose sexual orientation or gender identity does not conform to the societal norm of gender and sexuality. "Peers" are like-minded people with the same values and the same way of thinking.

Further key figures

Almost all employees work in the Zurich economic area. Unless indicated otherwise, the figures and information below relate to the parent company (excluding subsidiaries and their subsidiaries).

Employee data is collected by the HR department and is up to date as at the reporting date of 31 December 2023. There are no significant fluctuations in the figures compared to previous years, nor is a significant proportion of business activities carried out by employees without an employment contract.

Equal opportunities (parent company) financial year 2023

	GRI	2023	2022	2021
Share of women in the workforce as %	GRI 2-7	37.0	37.0	37.3
Share of women at the second most senior level of management (as %)		18.5	–	–
Percentage of women at the third most senior level of management (as %)		25.2	–	–
Apprenticeships (apprentices, interns, trainees)	GRI 2-7	423	409	389
– Percentage of women (as %)	GRI 2-7	37.6	–	–
– Percentage of men (as %)	GRI 2-7	62.4	–	–

Overview of employee key figures

Employment (parent company)	GRI	2023	2022	2021
Number of employees (full-time equivalent)	GRI 2-7	5,304	5,037	4,938
Turnover rate in %	GRI 2-7 GRI 401-1	6.1	6.4	5.9
Change in the number of jobs	GRI 401-1	↑ 267	↑ 99.4	↓ 38.9
Health and occupational safety (parent company)	GRI	2023	2022	2021
Lost days per employee as a result of sickness or occupational and non-occupational accidents (days/employee)		6.4	8.1	6.1
of which due to illness		5.9	7.5	5.5
of which accident-related (occupational and non-occupational accidents)		0.5	0.6	0.6

Personnel structure

	GRI	2023	2023	2022	2022
		Number	Share as %	Number	Share as %
Board of Directors and Chairperson's committee	GRI 405-1	13	100	13	100
– Women	GRI 405-1	3	23	3	23
– Men	GRI 405-1	10	77	10	77
Executive Board	GRI 405-1	8	100	8	100
– Women	GRI 405-1	1	12.5	1	12.5
– Men	GRI 405-1	7	87.5	7	87.5
Board level (member of senior management and vice management)	GRI 405-1	1,178	–	1,087	–
– Women	GRI 405-1	211	17.9	180	16.6
– Men	GRI 405-1	967	82.1	907	83.4
Member of middle management	GRI 405-1	2,051	–	1,980	–
– Women	GRI 405-1	775	37.8	743	37.5
– Men	GRI 405-1	1,276	62.2	1,237	62.5
Bank employees	GRI 405-1	2,346	–	2,248	–
– Women	GRI 405-1	1,067	45.5	1,035	46
– Men	GRI 405-1	1,279	54.5	1,213	54

**Personnel structure by employment relationship
(Executive Board, Board of Directors and Head of Audit not included)**

	GRI	2023		2022	
		Number	Share as %	Number	Share as %
Full-time employees (FTE) (share as a % of the total workforce)	GRI 2-7	4,026	70.4	3,832	70.4
– Women (ratio as a % of positions held by women)	GRI 2-7	1,014	47.9	930	46.2
– Men (ratio as a % of positions held by men)	GRI 2-7	3,012	83.6	2,880	83.9
Part-time permanent employees (Part-time ratios as a % of all positions)	GRI 2-7	1,695	29.6	1,611	29.5
– Women in part-time employment (Part-time ratios as a % of positions held by women)	GRI 2-7	1,105	52.1	1,074	53.2
– Men in part-time employment (Part-time ratios as a % of positions held by men)	GRI 2-7	590	16.4	537	15.6

positions = number of employees

Further key personnel figures

	GRI	Unit	2023	2022
Number of employees who have taken maternity/paternity leave (GRI 401-3)				
Number of women	GRI 401-3	Number	77	91
Number of men	GRI 401-3	Number	92	123
Retention rate at the workplace 12 months after birth (% of women who were still employed 12 months later)	GRI 401-3	Percent	76.6	77.4

Number of employees outside the parent company by region

	GRI	Unit	2023	2022
Swisscanto Fondsleitung AG (Switzerland)	GRI 401-3	Number	103	93
Swisscanto Asset Management International S.A. (abroad)	GRI 401-3	Number	17	12
Austria	GRI 401-3	Number	115	102
United Kingdom	GRI 401-3	Number	8	7
Guernsey	GRI 401-3	Number	4	5
São Paulo	GRI 401-3	Number	2	2
Beijing	GRI 401-3	Number	2	2
Mumbai	GRI 401-3	Number	2	2
Singapore	GRI 401-3	Number	2	2

9 Appendix

9.1 Procedure for determining the material topics

The basis for updating the material topics is the materiality matrix from 2017, which was developed in collaboration with various representatives of our stakeholder groups. Topics in the context of sustainability were evaluated in terms of their relevance for our stakeholders and the materiality of their impact on sustainable development.

The material topics were revised in 2023 with the update of the GRI Standards 2021, the legal requirements for the report on non-financial matters in accordance with the Swiss Code of Obligations, the amendment of the Zürcher Kantonalbank Act and the further development of the 2030 public service mandate.

To this end, the 2022 Board of Directors seminar served as a workshop to further develop the 2030 public service mandate and the material topics. Various relevant sustainability topics were prepared in advance by the Public Service Mandate unit and presented at a preparatory meeting. The potentially negative and positive effects on sustainable development were taken into account. To this end, the framework conditions were broken down from an international perspective to a national perspective and finally to a cantonal perspective. In addition, we also took into account the industry and product-related topics that are important to us. In particular, we took into account the national and cantonal efforts to promote sustainable development: Switzerland's 2030 sustainability agenda, Switzerland's climate strategy, the climate strategy of the Canton of Zurich and the Zürcher Kantonalbank Act.

The outcome of the workshops was the Board of Directors' assessment of the business activities (impact) of Zürcher Kantonalbank. This enabled us to consider how we impact sustainable development and how it influences our business activities (double materiality). The results were consolidated by the Public Service Mandate unit and adopted at the 2023 Board of Directors seminar.

The following topics were identified as potentially negative impacts and influences:

- **Climate:** Climate risks, i.e. physical risks from climate change and transition risks on the way to a low-carbon economy, are important for the financial sector. Of particular relevance to Swiss banks is the Financial Market Supervisory Authority's (FINMA) specification of disclosure requirements for climate-related financial risks, which came into force on 1 July 2021. In view of climate change, the risk of a disorderly transition to a low-carbon economy is increasing and the issue of climate risks is becoming even more important. At the same time, the transition to a climate-friendly economy also opens up business and investment opportunities. In view of climate change, the loss of nature poses an ever-increasing risk to the global economy.
- **Social cohesion and human rights:** Based on the reporting obligations on non-financial matters in accordance with the Swiss Code of Obligations, the topic of human rights has become even more important. In addition, the Swiss Confederation's 2030 Agenda for Sustainable Development has identified "equal opportunities and social cohesion" as a key topic for Switzerland.

We want to avoid the potentially negative effects of the above-mentioned topics.

We identify the following areas as potentially positive impacts and influences:

– **Sustainable finance:** Switzerland has set itself the goal of being a leading sustainable financial centre. According to the SBA, a sustainable financial centre is a financial market that contributes in its entirety to sustainable development and added value in economic, environmental and social terms. In other words, a financial centre that ensures and improves economic efficiency, prosperity and economic competitiveness both today and in the long term, while contributing to the protection and restoration of ecological systems as well as the promotion of cultural diversity and social prosperity. As the sustainable bank that's "Close to you", Zürcher Kantonalbank aims to have a positive impact on sustainable development. In accordance with the purpose paragraph of Zürcher Kantonalbank, our public service mandate obliges us to contribute to the canton's fulfilment of its economic, social and ecological tasks and thus to support sustainable development.

– **Social cohesion and human rights:** With our public service mandate, we contribute to the canton's fulfilment of its economic and social tasks and provide the population, and in particular SMEs, with basic necessities and in particular address specific target groups in accordance with the purpose paragraph (SMEs, employees, agriculture, public corporations, promotion of home ownership and low-cost housing construction). We are committed to human rights and refrain from financing activities, for example, that violate the United Nations' human rights standards, including the prohibition of child labour and forced labour. We want to serve as a role model on employee issues and promote integration, diversity and health among our employees.

We see both topics as areas of impact in which we can exert a positive influence.

We used our public service mandate (§ 2 of the Cantonal Banking Act on Zürcher Kantonalbank) and the legal requirements for non-financial reporting (art. 964b of the Swiss Code of Obligations) to assess the materiality of the impact and prioritise the topics. The assessment was also based on a qualitative estimate of the probability and extent of the (potentially) negative and positive effects.

The public service mandate and the updated material topics according to GRI were adopted by the Board of Directors at the Board of Directors seminar in September 2023.

9.2 Stakeholder groups

Zürcher Kantonalbank and the Board of Directors maintain an open and transparent dialogue with their stakeholders. The dialogue takes place as part of a systematic exchange or in response to ad hoc enquiries. Stakeholder groups are identified and selected as part of the periodic validation of the sustainability policy by the Executive Board. The following explains how we are in contact with individual stakeholder groups:

- **Clients:** We create proximity to our clients every day by providing personalised advice and support. We also conduct a client satisfaction survey every two years. The aim of the surveys is to analyse the needs of clients at business unit level and derive suitable measures. The results and measures are integrated into the reporting to the Board of Directors.
- **Employees:** We regularly exchange information with our employees and conduct an employee satisfaction survey every two years. The aim of the surveys is to analyse the various areas in order to identify the needs of employees and take appropriate measures. The results and measures are presented to the Executive Board. Furthermore, the results are also discussed in the teams from all areas, and any necessary measures are taken. In addition, the internal employee representation committee is committed to the concerns of employees.
- **Owner (Canton of Zurich):** Several times a year, we engage in a personal dialogue with the Cantonal Parliament of Zurich, in particular with the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU) of the Canton of Zurich.
- **Suppliers:** We are in regular dialogue with our suppliers. Regular dialogue is ensured through internal guidelines that govern the process.
- **Partners:** Our partners represent the most important business relationships for us. We maintain a variety of collaborative partnerships with companies such as AXA, Mobiliar, StiftungSchweiz and the Association of Swiss Cantonal Banks (ASCB). The relevant relationships are listed and explained on our homepage under “Collaborative partnerships”: zkb.ch/de/ueber-uns/unser-unternehmen/unternehmensstruktur.html
- **The public:** We are in constant dialogue with representatives from the realms of business, the environment and society, as well as media and culture. Through our sponsorship commitments in particular, we engage in regular dialogue on economic, environmental and social issues.

- **Supervisory authority:** In its capacity as an independent authority with sovereign powers, FINMA works to protect creditors, investors and policyholders, as well as to protect the effectiveness of the financial markets. We are in regular dialogue with FINMA.

Contact

Public Service Mandate unit
sustainability@zkb.ch
Telephone +41 44 292 61 04

Imprint

Published by: Zürcher Kantonalbank, Zurich; Design and layout: hilda design matters, Zurich; Illustrations: Christian Grund (page 5); Print: Zürcher Kantonalbank; Copyright: Zürcher Kantonalbank; Reproduction is permitted with the editor's permission and indication of the source. Printed in Switzerland on 100% recycled paper.

Disclaimer

This document is for information purposes only. The statements and information herein are neither an offer nor a recommendation to buy or sell financial instruments, use banking services, enter into other activities or carry out legal transactions. This document has been prepared by Zürcher Kantonalbank with the utmost care and to the best of its knowledge and belief. However, Zürcher Kantonalbank offers no guarantee regarding its content or completeness and accepts no liability arising from the use of this information. Statements and forecasts contained in this document that relate to the annual report or other reports and to the future development of Zürcher Kantonalbank and its business activities, or that may influence these, reflect estimates and expectations at the time the annual report or the respective report was prepared. By their nature, they are subject to uncertainty, as risks and other factors may influence actual performance and results. This means that actual performance may differ substantially from the estimates and expectations set out by Zürcher Kantonalbank in this document and the respective report. In case of any deviations resulting from the translation, the German version will prevail.

